



**WESTMINSTER**  
G R O U P P L C



**Worldwide World Class Protection**

**MANAGED SERVICES / SECURITY TECHNOLOGY**



**WESTMINSTER**  
G R O U P P L C

The Westminster Group is a specialist security and services group operating worldwide through an extensive international network of agents and contacts in over 50 countries.

The Group's operating companies are structured into two vertically integrated operating divisions, Managed Services and Technology and the Group's principal activity is the design, supply and ongoing support of advanced technology security solutions and the provision of long term managed services, consultancy and training services;

*primarily to:*

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Governments & Governmental Agencies

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Non Governmental Organisations

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& Blue Chip Commercial Organisations Worldwide

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with a focus on Africa, Asia, the Middle East & the Americas

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“Our vision is to build a global business with strong brand recognition delivering niche security solutions and long term managed services to high growth and emerging markets around the world with a particular focus on long term recurring revenues business.”

Peter Fowler  
Chief Executive Officer

# Highlights

## Operational

- Strong performance by both Managed Services and Technology Divisions
- Significant progress with several large-scale project opportunities
- Supplied numerous clients in around 53 countries across the world
- In March 2018 signed a \$4.5million USD contract for advanced vehicle screening solutions within the Middle East
- In May 2018 a signed 15-year contract, worth circa €24million Euro per annum but placed on hold following US withdrawal from JCPOA
- West Africa airport operations performed well, strong H2 passenger growth
- Provided training throughout 2018 to various airports, including several major hubs, across the Middle East, Africa and Asia
- In November 2018 acquired UK security and risk management company, Keyguard U.K Ltd expected to deliver revenues of circa £1.5m per annum
- Recurring revenue from maintenance and service contracts increased by over 59% to £376k per annum (2017: £236k)
- New long-term airport project in Africa progressed to contract stage in December 2018, waiting for completion of client's internal reorganisation for counter signature
- Board strengthened in terms of skills and experience with the appointment of two new non-executive directors, Lady Patricia Lewis (Patsy Baker) in May 2018 and Charles Cattaneo in January 2019 and with the appointment of Mark Hughes as CFO in November 2018 replacing Martin Boden

## Financial

- Revenues up by 24% to £6.7m (2017: £5.4m) - despite revenues of £2.2m relating to the Middle East project slipping from Q4 2018 to Q1 2019
- Third consecutive year of growth double digit revenue growth
- EBITDA loss of £0.38m (2017: loss £1.23m)
- Total Equity / Net Assets grew from £0.1m in 2017 to £1.1m in 2018

## Post Period End

- 2019 commenced on a strong and profitable note with Q1 orders and revenues ahead of budget
- Q1 2019 passenger numbers for our West Africa airport operations were at record levels
- Completed balance of \$4.5 million USD Middle East screening contract secured in 2018
- In April 2019 announced a \$3.4 million USD contract for the provision of advanced container screening solutions to two separate ports in Asia
- In May 2019 completed acquisition of Euro Ops providing the Group with a French base and better access to Francophone countries

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# Managed Services Division

Managed services contracts and the provision of manned services



Our Managed Services Division is focussed on providing long term recurring revenue, managed services contracts and the provision of manned services, consultancy, training and other similar supporting services.

The Managed Services Division is generating considerable interest from governments around the world

The division comprises primarily of Westminster Aviation Security Services Limited, Westminster Facilities Management Limited, Keyguard and Longmoor Security Limited.

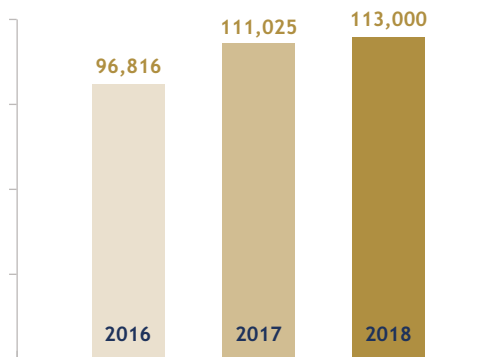
We believe that this division represents a very significant growth opportunity for Westminster. We provide long term services typically to governmental bodies in our target markets under Build Operate Transfer (BOT), Build Maintain Transfer (BMT) and/or concession arrangements. Under these contracts we use our expertise in the provision of personnel and technology solutions to take over, invest and operate the service and/or infrastructure at key sites such as an airport or a port, and bring the operation up to internationally acceptable standards. In addition our expertise in the sector enables us to advise on the correct processes, procedures and documentation

required by international bodies and our comprehensive in-house training services means all local employees involved in these operations remain properly trained and certificated.

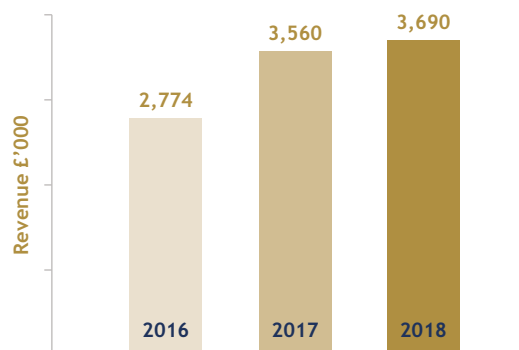
We enter into these contracts on a long term basis (typically 15-20 years) and are remunerated by a per passenger fee which is paid directly by the user of the facility to Westminster. For example this would mean that for an airport a security fee would be added to the passenger ticket via the IATA (International Air Transport Association) mechanism and this fee is then settled with Westminster directly providing strong cash predictability. Once a contract is signed and is in place then the data rich nature of the aviation industry (with visibility as to schedules, load factors etc.) and the long term nature of the contract provides strong forward revenue visibility.

Westminster may pay a concession fee (based on cash collections from fees) to the port or airport authority, and this, in conjunction with our absorption of their capital and operating cost obligations, provides a strong customer advantage turning a cash outflow into a cash inflow.

The Managed Services Division is generating considerable interest from



Passengers Served



Managed Services Division Revenue

governments around the world particularly regarding airport security solutions and it has a growing prospect pipeline (potential projects which are in active discussions and which are at various stages of development). The division is currently in discussions with a growing number of airports, several of which have advanced to signed Memorandum of Understanding (MoU) stage. The division will receive long term revenues directly proportional to the number of embarking passengers.

Whilst not all the opportunities under discussion will result in final contracts, further expansion of the prospect pipeline is expected providing the potential for substantial growth from this division over the next few years.

The division is also actively pursuing other managed services opportunities such as port security and other infrastructure security solutions and is developing expanded service offerings at airports.



# Technology Division

Providing advanced technology led security solutions



A key strength of Westminster's Technology division is its extensive knowledge of the security market place

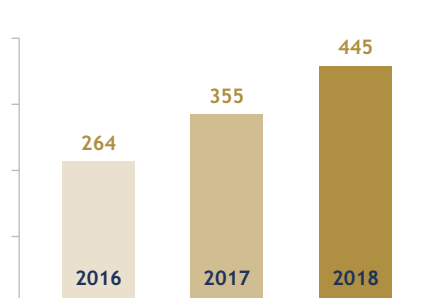
The Technology Division is focused on providing advanced technology led security solutions encompassing a wide range of surveillance, detection, tracking and interception technologies to governments and private organisations across the world.

It has an in-depth knowledge of the security technologies available which allows it to design innovative solutions using niche technologies. The division comprises primarily Westminster International Limited and has a strong track record of providing security solutions and technology products to a broad range of blue chip clients worldwide.

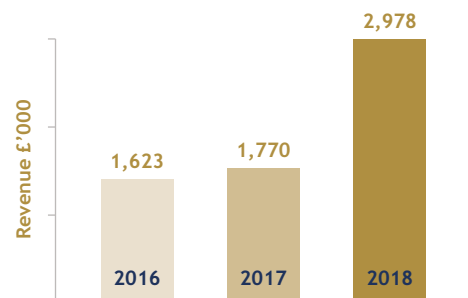
We are not a manufacturer and are product agnostic, able to promote and

deliver the best solution for any given application. A key strength of Westminster's Technology division is its extensive knowledge of the security market place and manufacturers of effective but often niche security equipment together with its ability to identify and design solutions for clients' diverse requirements. With Westminster's extensive international network and market reach, niche security manufacturers regularly contact Westminster as a means of promoting their technologies to the market.

Sales are driven by growth in international security markets and the division has a large enquiry bank arising from its international agent network and comprehensive website (Westminster International has one of the largest security equipment and services websites in the world). The division has a large pipeline of potential projects that are in active discussions at various stages of development. Some of these projects can take a long time, in some cases years, to



Orders Received



Technology Division Revenue

## Example Worldwide Projects



The division is successfully securing smaller contracts for equipment and services

negotiate and as always timing and outcome remain uncertain.

The division is successfully securing smaller contracts for equipment and services creating a regular monthly run rate of business from clients worldwide. Added to these are the potential larger contracts that create significant peaks in revenue. There is a key vertical integration synergy with this division's expertise in consultancy and

equipment being used to underpin the major growth opportunities at our managed services division. The technology division's worldwide reputation and market reach provides a platform from which the managed services division can deliver opportunities and in addition it reduces capital expenditure by eliminating third party margins that would otherwise add to the capital cost.

# Chairman's Statement



Rt. Hon Sir Tony Baldry DL  
Chairman

**“The year has already commenced on a strong footing with Q1 2019 ahead of budget”**

## Overview

2018 was a year of great progress for Westminster Group plc. I am therefore pleased to present the Final Results for the year ended 31 December 2018.

Following a particularly strong H2 performance in 2018 for the Group I am pleased to report a 24% year on year increase in revenues to £6.7m, an increase of £1.3m on the £5.4m reported for 2017. This increase in revenues is despite £2.2m from our Middle East screening project slipping from Q4 2018 to Q1 2019, due to shipping delays over the holiday period and despite having to put our Iranian contract signed in May 2018 and worth circa €24m Euros pa on hold whilst we deal with the challenges caused by the United States unilateral withdrawal from the Joint Comprehensive Plan of Action (JCPOA). Due to an unexpected turn of events an old and sizeable long-term debt we had provided for several years ago, referred to in our Trading Update on 29 January 2019, is now potentially recoverable and will be booked as and when cash is recovered.

Accordingly, we have delivered an improved financial position with an EBITDA loss of £0.38m (2017: loss £1.23m). Had the above issues not occurred, revenues would have been substantially higher, and we would have delivered a significantly positive EBITDA. This bodes well for our future trading and demonstrates what the Group is capable of. The year has already commenced on a strong footing with Q1 2019 ahead of budget.

Our operating divisions are performing well. Enquiry levels remain healthy and levels of interest in the Group's services are growing. Both divisions are developing and pursuing sizeable business opportunities and it is encouraging to see our Technology division securing important contracts such as the \$4.5m USD contract announced in March 2018

and \$3.4m USD contract announced in April 2019. More detail on the strategic developments, projects and opportunities we are undertaking is covered in the CEO's Strategic Report.

During the year the Group raised £1.34m gross from the issue of new equity to support the development of the Group. Since the year end, we have raised £0.5m gross for the development of the Group and preparation for the upcoming contracts as well extending the convertible loan notes.

## Corporate Conduct

As a company whose shares are traded on the AIM market of the London Stock Exchange, we recognise the importance of sound corporate governance throughout our organisation giving our shareholders and other stakeholders including employees, customers, suppliers and the wider community confidence in our business. We endeavour to deliver on our corporate Vision and Mission Statements in an ethical and sensitive manner irrespective of race, colour or creed. This is not only a requirement of a well-run public company but makes good commercial and business sense.

In my capacity as Executive Chairman, I have ultimate responsibility for ensuring the Board adopts and implements a recognised corporate governance code in accordance with our stock market status. Accordingly, the Board has adopted, and is working to, the Quoted Companies Alliance (QCA) Corporate Governance Code 2018. The Chief Executive Officer (CEO) has responsibility for the implementation of governance throughout our organisation, commensurate with our size of business and worldwide operations.

The QCA Corporate Governance Code 2018 has ten key principles and we set out on our website how we apply those principles to our business, and more detailed information is provided in these accounts.



“I am proud of the support and assistance we as a company provide in many of the regions in which we operate”

We operate worldwide with a focus on emerging markets and in a sector where discretion, professionalism and confidentiality are essential. It is vitally important that we maintain the highest standards of corporate conduct. The Corporate Governance Report sets out the detailed steps that we undertake to ensure that our standards, and those of our agents, can stand any scrutiny by Government or other official bodies.

### Social Responsibility

As a Group, we take our corporate social responsibilities very seriously, particularly as we operate in emerging markets and in some cases in areas of poverty and deprivation. I am proud of the support and assistance we as a company provide in many of the regions in which we operate, and I would like to pay tribute to our employees and other individuals and organisations for their generous support and contributions to our registered charity, the Westminster Group Foundation. We work with local partners and other established charities to provide goods or services for the relief of poverty or advancement of education or healthcare making a difference to the lives of the local communities in which we operate. For more information or to make a donation please visit [www.wg-foundation.org](http://www.wg-foundation.org)

### Employees and Board

Mark Hughes replaced Martin Boden as Chief Financial Officer at the beginning of November 2018 and I believe Mark's wide-ranging international experience, particularly in emerging markets together with his considerable experience in capital markets and in M&A work, with close to 40 M&A transactions completed, and as CFO of listed, venture capital, private and private equity owned companies, will be a great asset in assisting the Company achieve its growth potential. Mark has helped grow shareholder value in groups of similar size to ours. He also has worked in Africa including Sierra Leone and the Middle East so brings significant experience in those geographical areas. We believe that his track record of growing groups both organically and through strategic acquisitions is the profile we need to take us to the next level.

I would like to express my thanks to Martin Boden for his support during his time with the business and we wish him well for the future.

There have also been changes within our non-executive directors (NEDs).

In May 2018 Lady Patricia Lewis (Patsy Baker) joined the Board. She is well-known and respected within the City and has considerable public relations and marketing experience, having spent over 20 years as the Group Business Development Director with Bell Pottinger. In November 2017 she joined Huntsworth PLC as Senior Group Advisor. Patsy's appointment brought a broader range of skills and diversity to the Board and is in line with the Company's strategic growth plans and board development.

In January 2019 Charles Cattaneo joined the board as a NED. Charles has been a director of a number of public and private companies and is currently the Chairman of the Midlands Regional Advisory Group of the London Stock Exchange. I am sure his wealth of City and corporate finance knowledge and experience gained from a variety of business sectors, in particular advising AIM companies and serving on boards of growing and successful companies, will be of great value to our business as we expand and deliver on our significant potential. As a Chartered Accountant he has taken over as Chair of the Audit Committee and Chair of the Risk Committee.

Also in January 2019, James Sutcliffe, by agreement, left the Westminster Group PLC board to take on the role as Chairman of the International Advisory Board, where the benefit of his extensive international experience and high-level Government contacts overseas can be of significant value to the Company's business development and expansion going forward.

As a service-based business, our employees are key to delivering success. I believe we have an exceptional workforce and I would like to take this opportunity to express my appreciation to all our employees, both in the UK and overseas, who have worked extremely hard during the year.

We continue to work closely with and receive excellent support from the Foreign Office and UK Diplomatic Missions around the world and I am very grateful for the support these and other governmental departments provide to our teams and our operations worldwide.

I would finally like to extend my appreciation to our investors for their continued support and to our strategic investors who are bringing their expertise to help deliver value for all.

Rt. Hon Sir Tony Baldry DL  
Chairman

23 May 2019

# Chief Executive Officer's Strategic Report



Peter Fowler  
Chief Executive  
Officer

“...the Group has made good progress during 2018. Revenues rose strongly in both our Managed Services and Technology divisions.”

## Business Description

The Westminster Group is a global integrated security services company delivering niche security solutions and long-term managed services to high growth and emerging markets around the world, with a particular focus on long term recurring revenue business.

Our target customer base is primarily governments and governmental agencies, critical infrastructure (such as airports, ports & harbours, borders and power plants), and large-scale commercial organisations worldwide.

We deliver our wide range of solutions and services through a number of operating companies that are currently structured into two operating divisions; Managed Services and Technology; both primarily focused on international business as follows:

### Managed Services division:

Focusing on long term (typically 10 - 25 years) recurring revenue managed services contracts such as the management and operation of security solutions in airports, ports and other such facilities, together with the provision of manpower, consultancy and training services.

I am also pleased to report that during 2018 our German Subsidiary Westminster Sicherheit has expanded its activities to include business development in various other parts of the world and is expected to make a contribution to the Group from 2019.

### Technology division:

Focussing on providing advanced technology led security solutions encompassing a wide range of surveillance, detection, tracking, screening and interception technologies to governments and organisations worldwide.

In addition to providing our business with a broad range of opportunities, these two divisions offer cost effective dynamics and vertical integration with the Technology

division providing vital infrastructure and complex technology solutions and expertise to the Managed Services division. This reduces both supplier exposure and cost and provides us with increasing purchasing power. Our Managed Services division provides a long-term business platform to deliver other cost effective incremental services from the Group.

## Business Review

As highlighted in the Chairman's Statement, the Group has made good progress during 2018. Revenues rose strongly in both our Managed Services and Technology divisions. Our Technology division, in particular, had a good year. This has resulted in significantly improved results and an EBITDA loss of £378,000 for the year (2017: Loss of £1,234,000).

We continue to deliver a wide range of solutions to governments and blue-chip organisations around the world as can be seen from the example worldwide projects shown on page 5. Our reputation grows with each new contract delivered - this in turn underpins our strong brand and provides a platform from which we can expand our business.

Enquiry levels remain healthy and levels of interest in the Group's services is growing across both operating divisions. However, whilst our Technology Division provides the technological resources and platform to expand our operations around the world and is capable of delivering large scale projects, it is our Managed Services Division, with its potential for delivering large scale, long term, recurring revenue and transformational growth, which is increasingly our core focus, particularly within the aviation security sector.

## Managed Services Division

Our Managed Services division and the significant growth opportunities it is progressing is the key focus of the Group.

“Westminster’s international reputation and expertise in the field of aviation security continues to grow”

During 2018 the Managed Services division made substantial progress on several fronts.

Our aviation security business in West Africa has performed well during 2018. Whilst we experienced a reduction in passengers during Q1 2018 due to the prolonged presidential elections, this was more than offset by a strong H2 which resulted in c.113,000 embarking passengers during the year. The growth in passenger numbers experienced in H2 2018 has continued into 2019 with Q1 2019 passenger numbers being at record levels. This is encouraging given our revenues are driven by passenger numbers. The 15-year contract signed in 2012 has an 8 year break-clause as of 1 May 2020 and we have already commenced positive discussions regarding extending the agreement.

Our Group Chairman, Sir Tony Baldry, had meetings with President Julius Maada Bio of Sierra Leone in May 2019 on the subject and further investment in the country.

Westminster’s international reputation and expertise in the field of aviation security continues to grow and in addition to providing equipment and services to various airports around the world we are increasingly being called on to provide specialist aviation security training to airports and airlines around the world. In 2018 we provided training services to various airports, including several major hubs, across the Middle East, Africa and Asia.

Building on the growing success of our aviation training business we have constructed a training facility at our UK Headquarters in Banbury so that we can conduct specialist technical and operational training courses for airline and airport delegates from around the world. The facility was completed and opened in early 2019 and has already conducted training for delegates from one of the largest airlines in Europe.

A defining aspect of 2018 was the signing of a long-term contract for security support services at a major airport in Iran on 7 May 2018. The 15-year contract, which is worth around EUR €24million pa, is for one of 60 airports in Iran and so the business potential is substantial. The contract was secured following over two years of intense activity involving wide ranging and complex negotiations with commercial and political bodies with meetings in various jurisdictions. We also dealt with a constantly changing scope of works as the client prioritised its requirements. In addition, given the sensitivities around operating in Iran, we had to overcome

numerous challenges including banking, financing and strict compliance with international restrictions involving detailed due diligence and considerable professional advice from across Europe and the United States (US). Throughout the process we have received valuable support from the UK government at the highest levels. The signing of this contract was a significant achievement.

It is disappointing therefore that, despite the fact that none of Westminster’s proposed equipment or services being covered by any sanctions, due to the US unilateral withdrawal from the Joint Comprehensive Plan of Action (JCPOA) we had to place the contract on hold whilst we evaluated the impact on the operation including banking, insurance and the supply chain. It is all the more frustrating given the other signatories to the JCPOA agreement, being China, Russia, Germany, France and the UK, have all stated their continued support for the agreement, as have the European Union (EU), the United Nations, the International Atomic Energy Agency and most other leading countries around the world.

The decision to place the contract on hold, whilst frustrating for the Company and its shareholders, was however the right and sensible course of action whilst we continue to work with government bodies and the client to resolve the various challenges and monitor developments in the region. The contract is structured so that all that is required to commence the project is an exchange of Board letters and there is no time limit on this. Both parties remain committed to the project but need to be sure that once started the project is able to be safely delivered.

We continue to closely monitor the geopolitical situation of the region and to liaise with government bodies for guidance. On 31 January 2019, Germany, France and Britain (E3) announced the establishment of a special purpose vehicle aimed at facilitating legitimate trade with Iran. This involved the establishment of a new mechanism, called the Instrument in Support of Trade Exchanges (INSTEX). It is early days yet and how this will finally work has yet to be seen however the Company continues to investigate and evaluate this and other potential arrangements that could be put in place that could unlock the potential of this project without affecting the Group’s other business or banking arrangements. We will provide further updates on developments in due course.



# Chief Executive Officer's Strategic Report

Continued

“In November 2018 we announced the acquisition of Keyguard U.K Ltd ”

Whilst the Iranian airport project has been a high priority and any delay in implementing the contract now signed is a frustration, it is only one of a number of significant project opportunities we are pursuing around the world and with which we are making good progress. In this respect we have a growing number of large-scale, long-term opportunities at various stages of development in our target market.

Contracts of this size and nature, particularly in emerging markets, are not only time-consuming but involve complex negotiations with numerous commercial and political bodies and discussions can ebb and flow over many months with periods of intense activity which can be followed by long periods of inactivity. It is however precisely because of such challenges that competition is limited and the opportunities offer transformational growth opportunities.

No two opportunities are the same and each can have their own idiosyncrasies and challenges. An example of this is the announcement we made in December 2018 that the Chairman, Sir Tony Baldry, and I, had recently returned from Africa having finalised discussions on a new long-term airport security project. The contract was negotiated and agreed and signed by us and we were informed it would be countersigned by the authorities in the New Year. Unfortunately, the process has been delayed due to a completely unrelated reorganisation being undertaken by the authorities concerned which means that, whilst the project remains fully active, we must wait for their process to be finalised. The contract has central government support, so we are confident that it will progress once the reorganisation is completed.

Due, in part to these challenges and the confidential nature of such projects together with commercial sensitivities involved, we are no longer announcing any individual MoU when signed or providing regular updates. Whilst there is never certainty as to timing or outcome in such matters, we remain encouraged by developments and will update the market on material developments or should we no longer be pursuing any announced opportunity, in accordance with our regulatory responsibilities.

In November 2018 we announced the acquisition of Keyguard U.K Ltd (“Keyguard”). Keyguard is a UK based security and risk management company providing security services to organisations

and critical national infrastructure across the country. It is focused on infrastructure assets in the Construction, Renewable Energy and Transport sectors. Services include manned guarding, mobile patrols, risk management and K9 services. Keyguard operates in a strong and growing market and is completely allied to, and enhances, Westminster’s existing market, opening new opportunities and broadening the scope of the Group’s business portfolio.

The company has now been successfully integrated into the Group and is now operating from our corporate HQ in Oxfordshire. The acquisition is earnings enhancing and is expected to bring circa £1.5m pa of additional recurring revenue. The business is synergistic in that not only will this transaction allow the Group and Keyguard to be able to sell into each other’s customer base but will enable a broader range of joint offerings where technology and manned guarding are both required, particularly within the aviation and critical infrastructure market. In this respect we already have joint marketing and sales activities underway.

## Technology Division

In 2018 we supplied numerous clients in around 53 countries across the world, including the UK, Middle East, South, East and West Africa, Eastern Europe, Asia and Latin America. By way of example, we secured contracts for vehicle screening for an Air Force base in the Middle East, explosive ordnance disposal equipment to the Nepalese Army, narcotics detectors to a UK Health Organisation, explosive detection to UNICEF, specialist screening equipment to countries around the world and we continued to supply security equipment and services to Government facilities across the UK.

With our ever-growing population of sold systems that require regular maintenance, in 2018 we increased our recurring revenue base of maintenance and service contracts, both in the UK and overseas, by over 59% to £376k per annum (2017: £236k). These contracts help underpin the cost base of the Division and is an area of the business we expect to grow further.

In March 2018 we announced the award of a \$4.5million USD contract for the provision of advanced vehicle screening solutions to an existing client within the Middle East. Under the contract Westminster would provide a number of advanced vehicle screening solutions to screen vehicles for security threats and contraband as they enter a high security facility. The contract



“Westminster is in advanced discussions with potential JV partners in different parts of the world opening up some exciting and potentially substantial business opportunities.”

was commenced, and part delivered in 2018 with the remainder being delivered, due to holiday period shipping delays, in February 2019.

In addition, the Division has continued to provide various equipment and technology support services to the Managed Services division.

In February 2018 we appointed Stuart Gilbert as Managing Director of the Technology division. Stuart has a strong background in international security solutions, previously holding senior positions in multinational security organisations and will lead the growth of this division.

#### Strategic Review

As part of our strategy for growth we continue to improve and enhance our board and senior management team and in 2018 made a number of appointments broadening our range of experience and expertise. If we are to maximise the substantial growth opportunities we are developing, particularly with our airport security operations, it is essential we have the right strategies, people, processes and systems in place to successfully deliver such growth. Accordingly, the changes we have made to date and intend to make over the coming months will, I believe, serve the Company well and greatly assist our planned growth.

Whilst we continue to pursue our many organic growth opportunities we are also now entering a new phase on our expansion strategy which involves targeted acquisitions and strategic joint ventures (JVs) in key markets and regions, both of which enable the company to expand its sphere of operations in a controlled and effective way.

Following on from our strategic acquisition of Keyguard in November 2018 we

completed the acquisition of Euro Ops in May 2019. Both of these acquisitions strategically enhance the Group. Keyguard is providing a new and synergistic revenue stream whilst Euro Ops provides a French base and access to Francophone countries for Westminster’s business activities. We continue to review other opportunities.

In addition, Westminster is in advanced discussions with potential JV partners in different parts of the world opening up some exciting and potentially substantial business opportunities. We will provide further updates in this respect in due course.

#### Performance Indicators

The Group constantly monitors various key performance indicators for factors affecting the overall performance. At Group level, the revenues and gross margin are monitored to give a constant view of the Group’s operational performance. As employment costs are the single largest cost base for the Group the number of employees and employee costs are also monitored to ensure best use of resources. Days Sales Outstanding is used to measure the cash conversion of revenue and identifies debtor aging issues.

The Managed Services division derives its revenues and cash flows based on the number of passengers using a facility such as an airport. The number of passengers served is monitored and with the growth in aviation training we have introduced KPI’s for the number of contracts won.

The Technology division measures its sales activity by reference to the number of enquiries received per month and the number of orders received. The number of countries and number of return customers are monitored to give a view on the performance of the Division.

# Chief Executive Officer's Strategic Report

Continued

| Group                          | 2018    | 2017   |
|--------------------------------|---------|--------|
| Revenue £'m                    | 6.7     | 5.4    |
| Gross Margin                   | 55%     | 59%    |
| Days Sales Outstanding         | 41      | 36     |
| Number of Employees            | 233     | 283    |
| Average Employee Cost Per Head | £14,738 | £8,365 |

| Managed Services                | 2018 | 2017 |
|---------------------------------|------|------|
| Passengers Served ('000)        | 113  | 111  |
| Number of Training Projects Won | 16   | 16   |
| % of Training Project Won       | 46%  | 62%  |

| Technology Division                | 2018 | 2017 |
|------------------------------------|------|------|
| Average Enquiries Per Month        | 174  | 128  |
| Average Number of Orders Per Month | 37   | 29   |
| Number of Countries Supplied       | 53   | 41   |
| Number of Return Customers         | 71   | 164  |

## Financial Review

The Financial Review for the year ended 31 December 2018 is set out in the Chief Financial Officer's Report on page 14.

## Principal Risks and Uncertainties

The Principal Risks and Uncertainties are referenced along with key mitigation strategies on pages 22 and 23.

## Current Trading & Business Outlook

Our business is now in a better position than it has been for some time in terms of management, structure, revenues and prospects. Trading for 2019 has started on a strong note with both order intake and revenues ahead of budget and Q1 results showing a healthy EBITDA.

Q1 2019 passenger numbers for our West Africa airport operations were at record levels and both our Managed Services and Technology divisions continue to have a healthy and active enquiry bank and are delivering on expectations.

In April 2019, our Technology division announced the award of a \$3.4m USD contract for the provision of advanced container screening solutions to two separate ports in an Asian country, which had been under negotiation for several months. Having recently delivered the remainder of the \$4.5m USD vehicle screening contract in the Middle East, which the Company secured in 2018, this latest award for container screening in Asia is a

testament to Westminster's expertise and global reach.

Our Managed Services division is making progress on a number of fronts. We are also securing an increasing number of smaller contracts to assist airport authorities around the world with their equipment and security needs, and this enhances our prospects for our large scale, long term airport opportunities.

Our training business continues to grow, and we are developing business opportunities both in the UK and overseas. Our recently opened training centre in the UK is proving popular and we have already delivered specialist training to delegates from one of the largest airlines in Europe and we expect this service to expand during 2019. We are also investigating developing an international training centre within the Middle East as part of our JV initiatives.

Keyguard is fully integrated into the Group and performing to expectations. Euro Ops will be fully integrated in the coming months.

Westminster Sicherheit, our German subsidiary, is now active on a number of fronts with several large-scale opportunities in progress.

We have seen steady year on year revenue growth over the past few years and we expect this to continue. Based on our current order book, the improvement in our airport passenger numbers and our run rate business, including Keyguard and Euro Ops,

“Over the next few months and years we have an opportunity to achieve unprecedented growth from the prospects we are pursuing, and the Board and I remain committed to delivering on this potential.”



we expect 2019 revenues to be significantly ahead of 2018 even without any further new major contract awards, which of course would materially improve the results.

Over the next few months and years we have an opportunity to achieve unprecedented growth from the prospects we are pursuing, and the Board and I remain committed to delivering on this potential.

**On behalf of the board**

Peter Fowler  
Chief Executive Officer

23 May 2019

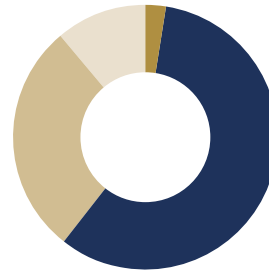
### Divisional Revenue Analysis (£'000)

- Managed Services (3,690)
- Technology (2,978)

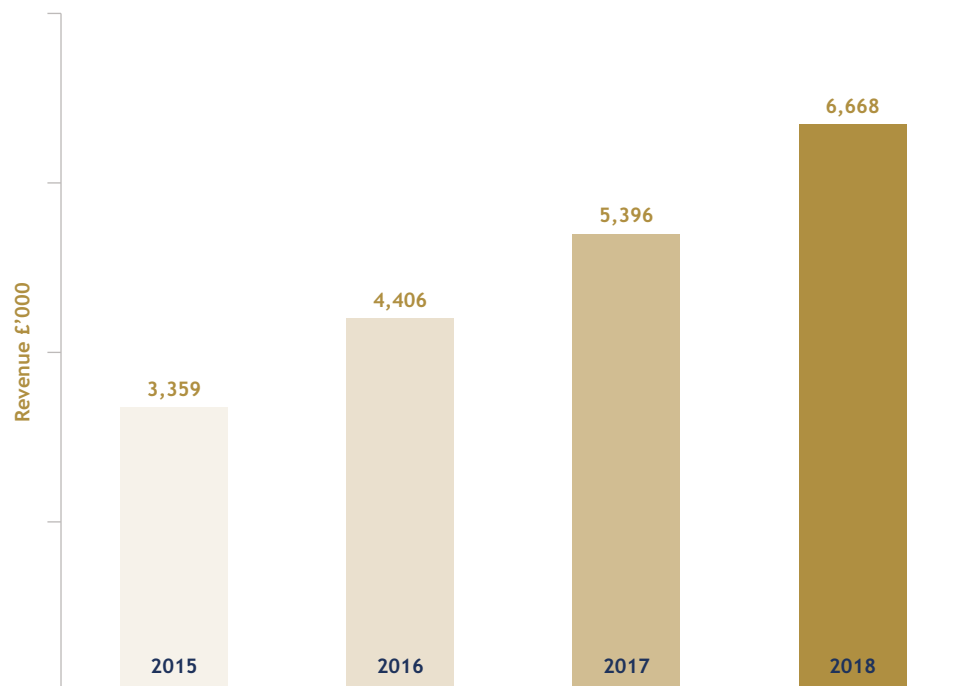


### Geographical Revenue Analysis (£'000)

- UK & Europe (171)
- Africa (3,884)
- Middle East (1,878)
- Rest of World (735)



### Revenue Statistics



# Chief Financial Officer's Report



Mark L W Hughes  
Chief Financial Officer

## Revenue

Revenues of £6.7m were 24% higher than the £5.4m reported in 2017.

Following a strong increase in 2017 Managed Services aviation revenues appear comparable in 2018 at £3.6m (2017: £3.6m). This however disguises the progress in the year. Passenger numbers at Freetown Airport climbed by 1.5% as revenues continued to recover following the end of the Ebola crisis in West Africa. However, this revenue is denominated in US Dollars and an equal and opposite decline in the dollar against the pound offsets the underlying move forward.

We have also reported Keyguard for the first time. Further information on this is contained in Note 30.

Technology revenues increased by 68% to £3.0m (2017: £1.8m). This followed a focus on and success at obtaining larger sized contracts. It would have been even higher had the £2.2m of revenue mentioned in the Chairman's Statement not slipped into 2019. However, this has given a great start to 2019.

## Gross Margin

The increase in turnover was primarily from the increase in lower margin Technology Solutions sales; typically, at about 15%. Because of this mix effect the headline Gross Margin decreased to 55% (2017: 59%).

## Operating Cost Base

The headline continuing group administrative costs reduced by 43% to £4.7m (2017: £8.3m). However, with adjustment of provision levels and the large Sovereign Ferry impairment in 2017 this is not directly comparable. Stripping out the impairment and share based payments shows an underlying reduction of about 3% in the cost base.

## Operational EBITDA

The Group loss from operations was £1.0m (2017 Restated: £5.1m). When adjusted for the exceptional and non-cash items set out below and depreciation and amortisation, the Group recorded an adjusted EBITDA loss of £0.4m (2017: £1.2m loss).

| Reconciliation to adjusted EBTIDA                 | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Loss from Operations                              | (1,038)       | (5,090)       |
| Depreciation, Amortisation and Impairment charges | 148           | 2,805         |
| Writeback of the impairment of the Sierra Queen   | (170)         | -             |
| Reported EBITDA (loss)                            | (1,060)       | (2,285)       |
| Share Option expense                              | 281           | 63            |
| Iranian Middle East Airport opportunity costs     | 294           | 603           |
| Ferry exit costs                                  | 21            | 335           |
| Other exceptional items                           | 86            | 50            |
| Adjusted EBTIDA (loss)                            | (378)         | (1,234)       |

This is a significant improvement on 2017.

## Finance Costs

Total finance costs of £0.3m (2017: £0.6m) were consistent with the prior year as interest bearing debt levels Senior Secured Convertible Notes (10% - 12% coupon) generated an underlying cash charge of £0.4m (2017: £0.3m).

## Result for the Year

The Group loss before taxation was £1.4m (2017 Restated: £5.7m) and the loss per share was 0.4p (2017 Restated: 5.2p). For continuing operations, the loss before taxation was £1.5m (2017 Restated: £2.1m) and the loss per share was 0.51p (2017 Restated: 1.88p).

## Statement of Financial Position

Total Group assets amounted to £8.6m at 31 December 2018 compared with £3.6m (restated) at 31 December 2017.

Net Group current assets amounted to £0.1m at 31 December 2018 compared to Net Group current liabilities of £0.2m (restated) at 31 December 2017.

The Group trade and other receivable balance as at 31 December 2018 was £4.6m (2017: £0.7m). Average days sales outstanding at the year-end were 41 (2017: 36). The large year end increase, and corresponding deferred sales, relates to the Middle East contract mentioned in the Chairman's Statement. This money was collected in Q1 2019.

Cash and cash equivalents of £0.3m at 31 December 2018 compared with £0.4m at 31 December 2017.

Trade and other payables were £2.5m (2017: £1.1m) and average creditor days were 27 (2017: 24). Again, the year end increase was influenced by the Middle East contract.

A deferred tax asset of £0.9m (2017: £ Nil) was recognised in the year.

Total equity at 31 December 2018 stood at a surplus of £1.1m (2017 restated: £0.1m).

## Restatement of 2017 Results

When Longmoor was purchased, goodwill of £397K was recorded in the books. In 2017, this was impaired to zero because, mistakenly, only the actual performance and prospects of Longmoor Security Limited was reviewed when considering whether an impairment was needed; however, most of the activities purchased in the Longmoor acquisition have actually been transferred to other entities within the Westminster Group.

An exercise has been carried out to establish how much revenue within the Westminster Group as a whole is actually being generated from the activities purchased in the Longmoor acquisition. This has concluded that it was an error to impair the goodwill hence the 2017 accounts have been restated to correct this error (Note 10).

## Key Performance Indicators

The Key Performance Indicators by which we measure performance of our business are set out in the Chief Executive Officer's Report on page 12.

## Convertible Loan Notes (CLN) and Convertible Unsecured Loan Notes (CULN)

| Summary of movements<br>in loan notes at principal<br>value £'000 | 2018 | 2018  | 2018  | 2017    | 2017  | 2017    |
|---|------|-------|-------|---------|-------|---------|
|   | CULN | CLN   | Total | CULN    | CLN   | Total   |
| At 1 January  | -    | 2,245 | 2,245 | 1,200   | 2,245 | 3,445   |
| New issue   | 171  | -     | 171   | -       | -     | -       |
| Conversion  | -    | -     | -     | (1,200) | -     | (1,200) |
| At 31 December  | 171  | 2,245 | 2,416 | -       | 2,245 | 2,245   |

At 31 December 2018, the secured CLN carried a coupon of 12% payable quarterly in arrears, had a conversion price of 25p and matured on 30 June 2019. The Company has now extended the term to 30 June 2020 at a higher coupon of 15% from 1 April 2019 and a conversion price of 15p. (Refer also Note 32)

At 31 December 2018, the unsecured CLN carried a coupon of 5% payable quarterly in arrears, had a conversion price of 10p and matures on 31 July 2021.



# Chief Financial Officer's Report

Continued

## Equity Issues

| Equity Issues               | Number of Shares | Price per share in Pence | Funds Raised £'000 |
|-----------------------------|------------------|--------------------------|--------------------|
| Allotment 8 January 2018    | 875,000          | 10                       | 88                 |
| Allotment 5 February 2018   | 3,409,091        | 22                       | 750                |
| Allotment 14 September 2018 | 5,000,000        | 10                       | 500                |
|                             | 9,284,091        |                          | 1,338              |

## Summary of Warrants

| Number    | Holder and Description    | Strike Price (p) | Life (years) | Vesting Criteria      |
|-----------|---------------------------|------------------|--------------|-----------------------|
| 589,330   | Yaron Bull, February 2016 | 20.15            | 4            | At grant:- detachable |
| 1,100,000 | Yaron Bull, November 2016 | 28.00            | 3            | At grant:- detachable |
| 5,000,000 | Hargreave Hale, June 2016 | 12.00            | 3            | At grant:- detachable |

## Cash Flow Statement

During the year the Group had an operating cash outflow of £1.2m (2017: outflow £1.5m) which arose primarily from an unfavourable working capital movement of £1.1m (2017: £0.6m) and the trading loss.

During the year the Group raised £1.3m gross from the issue of new equity with a further £0.2m of proceeds from the issue of convertible loan notes. In 2017, £2.4m was raised from new equity.

| Reconciliation from adjusted EBITDA to normalised operating cash flow | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Adjusted EBITDA   | (378)         | (1,234)       |
| Loss on asset disposal  | 2             | 9             |
| Net changes in working capital  | (1,064)       | 641           |
| Equity settlement payment   | -             | 25            |
| Net Cash used in underlying operating activities                      | (1,440)       | (559)         |

Net Cash used in underlying operating activities is presented excluding exceptional items, share options expense, and depreciation and amortisation.

### Going Concern

The assessment of going concern is summarised on page 24 in the Director's Report.

### Events after the Reporting Period

On 8 February 2019, the Company raised £0.5m (gross) through a placing of 5,000,000 new Ordinary Shares of 10p each at 10 pence per Ordinary Share. The placing was undertaken by SVS Securities Plc who became joint broker to the Group.

On 24 April 2019, the Company announced that its Technology Division had been awarded a \$ 3.4m USD contract for the provision of advanced container screening solutions to two separate ports in an Asian country.

On 1 May 2019, the Company announced the acquisition of the entire issued share capital of French aviation security and support services company Euro Ops SRL ('Euro Ops') along with the business and assets of Euro Ops International SRL ('Euro Ops Int.') for €20,000 Euro.

On 21 May 2019, the Convertible Loan Notes were extended to 30 June 2020. Under the terms of the CLN extension the conversion price on any unredeemed or unconverted CLN will be 15p per share until 30 September 2019, 12.5p per share from 1 October 2019 until 31 December 2019 and thereafter 10p per share from 1 January 2020 until the new maturity date of 30 June 2020. The coupon payable on any unredeemed or unconverted CLN amount

will be 15% pa from 1 April 2019 until 30 June 2020. The Company may redeem the whole or any part of the CLN holding at any time without restriction or penalty.

Whilst the Company plans to repay the CLN at the earliest opportunity, the extension until 30 June 2020 gives the Company the flexibility for a strategic and planned paydown of the CLN, at a time of its choosing, to avoid adversely affecting the Group's share price and business activities.

Mark L W Hughes  
Chief Financial Officer

23 May 2019

# Board of Directors



**Rt. Hon. Sir Tony Baldry DL**  
Executive Chairman

Sir Tony has had a long a prestigious Parliamentary career. He was Personal Aide to Margaret Thatcher in the 1974 General Election and subsequently remained in her private office when she became Leader of the Opposition.

Sir Tony served as MP for North Oxfordshire from 1983 to 2015. He held various ministerial posts during the 1990s, serving as Minister of State in the Ministry of Agriculture, Fisheries and Food and as Parliamentary Under Secretary of State in the Foreign and Commonwealth Office, with a range of responsibilities including South Asia, Africa, North America and the West Indies.

Sir Tony, a practicing barrister, was awarded the Robert Schumann Silver Medal for contribution to European politics in 1975. He takes a keen interest in foreign affairs and was a Governor of the Commonwealth Institute and a member of the Overseas Development Institute. Tony was Chairman of the House of Commons Select Committee on International Development in the 2010 Parliament.



**Lieutenant Colonel Sir Malcolm Ross GCV0, OBE**  
Deputy Chairman  
Senior Independent Non-Executive

Lieutenant-Colonel Sir Malcolm Ross GCV0, OBE, was a member of the Royal Household of the Sovereign of the United Kingdom from 1987 and, from 2006 to 2008, Master of the Household of the Prince of Wales. Sir Malcolm was educated at Eton and Sandhurst. He served in the Scots Guards, holding the posts of Adjutant at the Royal Military Academy Sandhurst, and reached the rank of Lieutenant-Colonel in 1982.

Sir Malcolm joined the Royal Household in 1987 as Assistant Comptroller of the Lord Chamberlain's Office and Management Auditor. From 1989 to 1990 he was Secretary of the Central Chancery of the Orders of Knighthood. He was Comptroller of the Lord Chamberlain's Office 1991-2005 and became Master of the Household to the Prince of Wales in 2006. Since 1988 he has been an Extra Equerry to The Queen.



**Stuart Fowler BEng (Hons)**  
Operations Director

Stuart has many years' experience of the security industry and has been particularly involved in many of the more complex integrated security systems.

Stuart studied computing and business studies at university obtaining a Bachelor of Engineering Honours degree in 1996. After university Stuart successfully implemented several software development projects for listed companies before joining Westminster in 1998. Since that time Stuart has been instrumental in the design and implementation of many larger complex systems installed by Westminster and is now responsible for the Group's operations and technical implementation worldwide.



**Lady Patricia Lewis (Patsy Baker)**  
Independent Non-Executive Director

Patsy Baker is well-known and respected within the City and has considerable public relations and marketing experience, having spent over 20 years as the Group Business Development Director with Bell Pottinger. In November 2017 she joined Huntsworth PLC as Senior Group Advisor.





**Peter Fowler**  
Chief Executive Officer

Peter has over 40 years' experience operating within the security industry, with particular reference to the electronic protection sector. Peter started his career in the security industry in 1970, quickly progressing into senior management roles and has a long history of running successful companies having built and sold two security businesses, successfully carried out acquisitions and disposals and has held several senior positions in listed companies.

Peter joined Westminster as Managing Director in 1996, carried out an MBO of the business in 1998 and led the IPO on AIM in 2007. He is widely travelled and has developed an extensive network of contacts around the world, having met numerous senior governmental and military personnel in many of the countries in which Westminster operate.



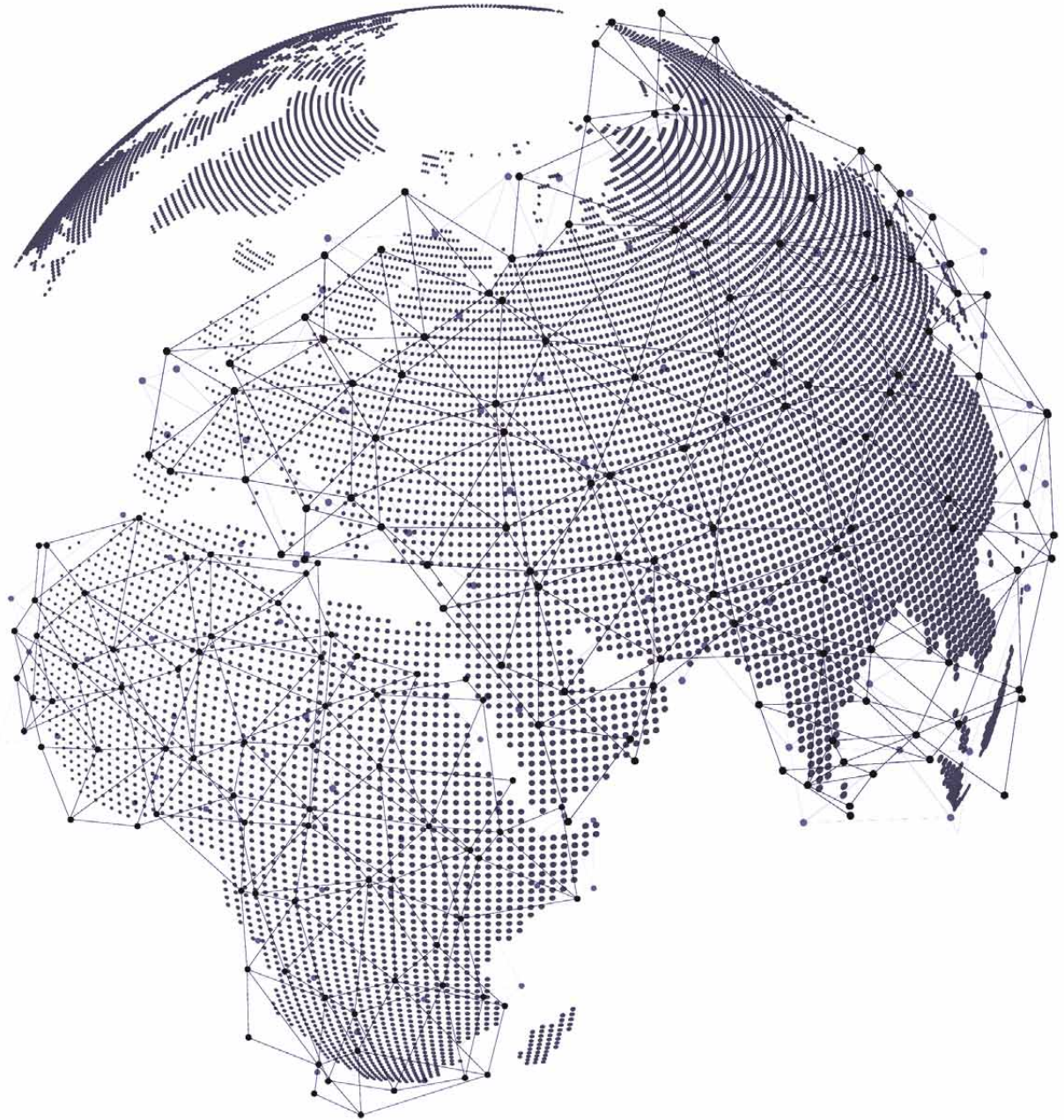
**Mark Hughes BSc MBA FCA**  
Chief Financial Officer

Mark is an experienced Group Chief Financial Officer with over 30 years' experience in leading financial organisations, banking and corporate finance teams worldwide including in high growth and emerging markets. Mark is a fellow of the Institute of Chartered Accountants, holds an MBA from the University of Warwick and has an honours degree in Banking and International Finance.



**Charles Cattaneo BCom MBA FCA FCSI CF**  
Independent Non-Executive Director

Charles is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Securities and Investment Institute and has over 30 years' corporate finance experience gained in investment banking, industry and the accounting profession. He has been a director of a number of public and private companies and is the founder of Cattaneo LLP a firm which specialises in providing corporate finance advice to companies. He is Chairman of the Midlands Regional Advisory Group of the London Stock Exchange.



# Directors Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

## Principal activities

The Westminster Group plc is a specialist security and services group operating worldwide through an extensive international network of agents and contacts in over 50 countries.

Westminster's principal activity is the design, supply and ongoing support of advanced technology security solutions, encompassing a wide range of surveillance, detection, tracking and interception technologies and the provision of long-term managed services contracts such as the management and running of complete security services and solutions in airports, ports and other such facilities, together with consultancy and training services. The majority of its customer base, by value, comprises governments and government agencies, non-governmental organisations (NGO's) and blue-chip commercial organisations.

## Review of business, future developments and key performance indicators

A full review of the business and future development, incorporating key performance indicators, is set out in the Chief Executive Officer's Strategic Report and the Chief Financial Officer's statements on pages 8 to 17.

## The Directors who held office during the year were as follows

| Executive Directors                     | Non-Executive Directors                         |
|---|---|
| Rt Hon Sir Tony Baldry                  | Lt Col Sir Malcolm Ross                         |
| Peter Fowler                            | Lady Patricia Lewis (Appointed 6 June 2018)     |
| Stuart Fowler                           | Mr Charles Cattaneo (Appointed 18 January 2019) |
| Mark Hughes (Appointed 1 November 2018) | Mr James Sutcliffe (Resigned 17 January 2019)   |
| Martin Boden (Resigned 31 October 2018) |   |

## Risk management objectives and strategy

The Group's corporate governance objective is to build a risk management framework across the Group. Local operations prepare relevant local risk registers which are then reviewed by a committee of executive Group management who then in turn report to the main Board. Clear channels of communication exist to ensure that risk management objectives are communicated across the company and that risks are reported up to the Board and relevant management. External auditors are used where necessary and the Group will consider the need to establish an internal audit process as the Group expands. This may include operational reviews (such as compliance with aviation security standards) as well as the traditional financial and compliance aspects.

## Risk Committee

The purpose of the Risk Committee (the "Committee") is to perform centralised oversight and policy setting of risk management activities and to provide communication to the Board of Directors (the Board) of the Westminster Group (the Company) regarding important risks and related risk management activities. The Committee's key areas of responsibility are

- Oversight of risk;
- Adherence to internal risk management policies and procedures;
- Compliance with risk-related regulatory requirements; and
- External risk assessments in relation to the company's international business.

## The risk committee comprises:

|   |  |
|---|--|
| Charles Cattaneo - Chairman (Appointed 18 January 2019) | Mark Hughes (Appointed 1 November 2018)                  |
| Lt. Col. Sir Malcolm Ross                               | James Sutcliffe - ex Chairman (Resigned 17 January 2019) |
| Lady Patricia Lewis (Appointed 6 June 2018)             | Martin Boden (Resigned 31 October 2018)                  |
| Peter Fowler  | Roger Worrall (Secretary)                                |
| Stuart Fowler   |  |

The Risk Committee met twice during the year.



The Board of Directors has identified the Principal Risks and Uncertainties facing the Group and these are shown below, together with how we manage or mitigate them:

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### Macro-economic outlook

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#### Risk and potential impact

Current global economic, political and financial market conditions may materially and adversely affect the Group's operational performance. A downturn may affect customers, suppliers and other parties we do business with. The Group operates in emerging and frontier markets and therefore is exposed to the political, geographic and economic risks of such territories. With the UK committed to leaving the European Union, we will continue to see uncertainty in the UK, Eurozone and elsewhere as the economic and political relationship between the UK and EU is determined. The Board considers that the current level of market risk is higher than normal given the level of geo-political unrest.

#### Mitigation

The Directors are seeking to ensure that the Group's activities are not significantly concentrated in any one individual customer or territory, so as to mitigate the exposure of any downturn in activity levels. In the event of a downturn the business could reduce investment plans and downscale its cost base in line with a deterioration in forecasted sales in any one particular market. The Group regularly reviews the relevant insurance requirements.

#### Probability

Possible

#### Potential financial impact

Major

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### Financial risks

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#### Risk and potential impact

The main financial risks faced by the Group are credit risk, foreign currency risk, interest rate risk and liquidity risk.

#### Mitigation

The Directors regularly review and agree policies for managing these risks. Credit risk is managed by monitoring limits and payment performance of counterparties. Where a customer is deemed to represent an unacceptable level of credit risk, terms of trade are modified to limit the Group's exposure. Foreign currency risk is managed by matching payments and receipts in foreign currency to minimise exposure. This is regularly reviewed as the Group wins new business in foreign currency and we continue to monitor the business impact of macro-economic factors, which could affect the value of Sterling and in turn have an impact on supply chain costs. If required, surplus currency will be protected through forward foreign exchange contracts.

Liquidity risk is managed by the close control of cash and frequent cash flow forecasting, together with modest overdraft facilities and additional financing to provide short-term flexibility. Interest rate risk is low with all Group borrowings having fixed rates of interest. The Group's capital raising ability can be affected by movements in capital markets.

#### Probability

Possible

#### Potential financial impact

Moderate

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### Legislation and regulations

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#### Risk and potential impact

There is a risk that the Group may not always be in complete compliance with local laws and regulations in overseas territories. For example, the risk to the Group's reputation of failure to comply with ethical and environmental regulations arising in the countries in which it operates. An example of this could be inappropriate business ethics in one of the territories from which Westminster Group operates.

#### Mitigation

The Directors have taken steps to ensure that all the Group's global operations are conducted to the highest ethical and environmental standards. Westminster Group maintains a strict anti-bribery policy with both Agents and employees given training through a series of webinars. The Group appoints relevant advisors to ensure regulatory requirements are complied with. Counterparties are vetted in order to minimise the risk of the Group being associated with a company that commits a significant breach of the regulations.

#### Probability

Unlikely

#### Potential financial impact

Moderate

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## Information technology

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### Risk and potential impact

The Group's systems and data are subject to security and availability risks, particularly in some of the territories the Group operates in. The Group is dependent on these systems for the day-to-day management of the Company. Any disruption to the Group's information systems could have a significant impact on the business.

### Mitigation

To mitigate these risks the Group ensures a regular full backup of our systems and data in case of an event. Disaster recovery plans are in place and are reviewed by senior management for suitability. Only current and fully supported systems are used to minimise the risk of cyber-attacks on Group systems. The Group uses external consultants to test the relevant systems vulnerability from time to time. Data backups are held in multiple locations to minimise recovery periods.

### Probability

Possible

### Potential financial impact

Moderate

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## Contractual liabilities

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### Risk and potential impact

Failure to deliver a contract in a timely manner, according to an agreed specification could lead to higher costs, penalties and reputational damage.

### Mitigation

The Group mitigates this risk by ensuring adequate project management is in place and any issues identified are dealt with in a timely and efficient manner. Warranties are sought from equipment suppliers where appropriate. Material contracts are reviewed by the Board on a regular basis to ensure that contractual liabilities are met.

### Probability

Possible

### Potential financial impact

Major

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## Talent succession planning

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### Risk and potential impact

The loss of key personnel or the failure to have an adequate succession plan could have an impact on the Group's overall performance. Recruiting and retaining skilled personnel at a board and operational levels, particularly overseas, is a continual challenge and competition is fierce in certain territories the Group operates in. Without the necessary talent recruited and embedded into the business this could adversely affect the Group's growth plans resulting in a loss of market share and the inability to compete and deliver in its chosen markets.

### Mitigation

The risk is mitigated by ensuring development plans are in place, salary packages are competitive and talent is sourced where necessary. The Chief Executive Officer reviews all the senior managers' performance and competencies in the organisation and identifies critical retention employees, reporting the findings to the Board of Directors.

### Probability

Possible

### Potential financial impact

Moderate

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## Directors' Report continued

### Results and dividends

The Group's results for the financial year are set out in the Consolidated Statement of Comprehensive Income.

The Directors do not recommend the payment of a dividend (2017: £nil).

### Directors' interests in share capital and share options

Details of the Directors' interests in share capital and share options are contained in the Remuneration Committee report.

### Other significant interests in the Company

At 23 May 2019, those shareholders, other than Directors, who had disclosed to the Company an interest of more than 3 per cent of the issued share capital, are set out as follows.

| Name of shareholder or nominee | No of shares | Holding % |
|--------------------------------|--------------|-----------|
| Hargreave Hale                 | 13,133,333   | 9.7%      |

### Policy on payments to suppliers

It is a policy of the Group in respect of all suppliers, where reasonably practical, to agree the terms of payment with those suppliers when agreeing the terms of each transaction and to abide by them. The ratio of amounts owed by the Group to trade creditors at the year-end represented 27 days (2017: 24 days).

### Share price

During 2018 the Company's share price ranged from 8.85p to 26.5p and the share price at 31 December 2018 was 9p (2017: 24p).

### Directors' and officers' liability insurance

The Company, as permitted by sections 234 and 235 of the Companies Act 2006, maintains insurance cover on behalf of the Directors and Company secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

### Post balance sheet events

These are detailed in the CFO report and in Note 32 to the financial statements.

### Going concern

The financial statements are prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management have taken into account all relevant available information about the future. As part of its assessment, management have taken into account the profit and cash forecasts, the continued support of the shareholders and loan note holders and Directors and management ability to affect costs and revenues. Management regularly forecast results, financial position and cash flows for the Group.

The Group's convertible secured loan notes have a principle value of £2.245m and the term has recently been extended from 31 December 2019 to 30 June 2020. Whilst not repayable in the 12 months from the date of these financial statements, the board believes that the pipeline of potential Managed Services contracts could either give the Company the capability of repayments from cash flow, or that the bondholders could convert to equity. As part of a routine planning process the Board has identified options for the repayment of the convertible secured loan notes from either cash generated from operations or as part of any financing to support new projects won.

The directors have therefore reviewed the Group's resources at the date of approving the financial statements, and their projections for future trading, which give a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, which for the avoidance of doubt is at least 12 months from the date of signing the financial statements. Thus, they continue to adopt the going concern basis of accounting in the preparing the financial statements.

### Auditor

On 4 February 2019 our auditors, Moore Stephens LLP, merged with BDO LLP with the combined entity now known as BDO LLP.

A resolution to reappoint BDO LLP as auditor will be proposed at the Annual General Meeting to be held on 18 June 2019.

In so far as each of the directors is aware

- There is no relevant audit information of which the Group's auditor is unaware, and
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### On behalf of the Board

Peter Fowler  
Director

Mark L W Hughes  
Director



# Remuneration Committee Report

23 May 2019

## Introduction

As an AIM listed company, the preparation of a Remuneration Committee report is not an obligation. The Group has, however, sought to provide information that is appropriate to its size and organisation.

The Remuneration Committee of the Board was established on admission of the Company to AIM in June 2007 and consists solely of the following Directors:

|                                      |                                      |
|--------------------------------------|--------------------------------------|
| Lt. Col. Sir Malcolm Ross (Chairman) | Charles Cattaneo (from January 2019) |
| Sir Tony Baldry (until June 2018)    | James Sutcliffe (until January 2019) |
| Lady Patricia Lewis (from June 2018) | Roger Worrall (Secretary)            |

Each of these Directors (except Charles Cattaneo) were Non-Executive Directors during 2018.

Sir Tony Baldry became Executive Chairman on 31 January 2018 and continued to serve on the Remuneration Committee until a Non-Executive replacement was appointed in June 2018.

The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Chief Executive, all other Executive Directors and such other members of the executive management of the Company as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director, including, where appropriate, bonuses, incentive payments and share options.

The Committee's policy is to provide a remuneration package which will attract and retain Directors and management with the ability and experience required to manage the Group and to provide superior long-term performance. It is the aim of the Committee to reward Directors competitively and on the broad principle that their remuneration should be in line with the remuneration paid to senior management of comparable companies. There are four main elements of the remuneration package for Executive Directors: base salary, share options, benefits and annual bonus. Notice periods for Executive Directors are 12 months.

- Base salary is reviewed annually and in setting salary levels the Remuneration Committee considers the experience and responsibilities of the Executive Directors and their personal performance during the previous year. The Committee also takes account of external market data, as well as the rates of increases for other employees within the Group
- Share options are granted having regard to an individual's seniority within the business and are designed to give Directors an interest in the increase in the value of the Group
- Benefits primarily comprise the provision of company cars, pension payments, health insurance and participation in the Group life assurance scheme
- All Executive Directors and executive management participate in the Group's annual bonus scheme, which is based upon the assessment of individual performance, subject to the Group achieving profitability commensurate with its revenues and capital employed

## Meetings

The Remuneration Committee met five times during the year.

## Options

The Group considers it important to incentivise employees and Directors through share incentive arrangements. The Group adopted a new Share Option Scheme in September 2017, under which it plans to award both EMI options and unapproved options to certain employees and Directors over its ordinary shares. A demanding share price target of 26p before vesting must be achieved in order for the Directors to benefit from this scheme. An option grant was made to the Directors in December 2014 under the previous 2007 Share Option Scheme, the details of which are set out in Note 22 of these financial statements.

The Group believes that such schemes (as well as Long Term Incentive Plans) align executives with long term shareholder value.

## Remuneration Committee Report continued

### Non-Executive Directors' remuneration

Non-Executive Directors' remuneration is determined by the Board as a whole, each refraining from determining his own remuneration. The fees paid to Non-Executive Directors are set at a level intended to attract individuals with the necessary experience and ability to make a significant contribution to the Group. The service contracts of the Non-Executive Directors specify the following:

| Non-Executive Directors   | Severance | Notice   | Contractual fees<br>£'000 |
|---------------------------|-----------|----------|---------------------------|
| Lt. Col. Sir Malcolm Ross | None      | 3 months | 18                        |
| James Sutcliffe           | None      | 3 months | 24                        |
| Lady Patricia Lewis       | None      | 3 months | 24                        |
| Charles Cattaneo          | None      | 3 Months | 24                        |

Sir Tony Baldry became executive chairman on 31 January 2018 and Lady Patricia Lewis joined the board on 6 June 2018. There were no Non-Executive Director changes in 2017.

### Board Balance, Time Commitment and Meetings

The PLC Board contains a balance of Executive and Non-Executive Directors, including an Executive Chairman who is responsible for dealing with the strategic direction and long-term success of the Company. The Board will meet every two months or at any other time deemed necessary for the good management of the business and at a location agreed between the Board members. The Non-Executive Directors, Lt Col Sir Malcolm Ross, Charles Cattaneo and Lady Patricia Lewis, are all considered independent directors notwithstanding Sir Malcolm Ross's length of service and former role as Chairman.

It is anticipated that non-executive directors will spend an average of 2 days a month undertaking their Role and Duties. This will include attendance at board meetings, the AGM, one annual board away day a year and at least one site visit a year. They also attend periodic Remuneration, Risk and Audit Committee meetings. They are required to spend time considering all relevant papers prior to each meeting.

In addition to the above they may be required to devote additional time to the Company when it is undergoing a period of particularly increased activity and may be required to support the Company by attending meetings with clients and advisors etc. both within the UK and overseas.

### Directors Attendance at Meetings 2018

|  | Board |    | Audit |   | Remuneration |   | Nominations |   | Risk |   | Disclosure |    |
|--|-------|----|-------|---|--------------|---|-------------|---|------|---|------------|----|
|  | A     | B  | A     | B | A            | B | A           | B | A    | B | A          | B  |
| A = Available to Attend<br>B = Actually Attended |       |    |       |   |              |   |             |   |      |   |            |    |
| Rt Hon Sir Tony Baldry                           | 10    | 10 | 1     | - | -            | - | 2           | 2 | 2    | 2 | 2          | 2  |
| Peter Fowler                                     | 10    | 10 | 1     | 1 | 5            | 5 | 6           | 6 | 2    | 2 | 25         | 25 |
| Martin Boden                                     | 8     | 8  | 1     | 1 | -            | - | -           | - | 2    | 2 | 20         | 18 |
| Stuart Fowler                                    | 10    | 9  | -     | - | -            | - | -           | - | 2    | 2 | 25         | 18 |
| Lt. Col. Sir Malcolm Ross                        | 10    | 5  | 1     | 1 | 5            | 5 | 6           | 6 | -    | - | -          | -  |
| James Sutcliffe                                  | 10    | 8  | 1     | 1 | 5            | 5 | 6           | 6 | 2    | 1 | 25         | 17 |
| Lady Patricia Lewis                              | 3     | 3  | -     | - | 5            | 5 | 2           | 2 | -    | - | 11         | 11 |
| Mark Hughes                                      | 2     | 2  | -     | - | -            | - | -           | - | 1    | 1 | 5          | 5  |
| Roger Worrall                                    | 10    | 9  | 1     | 1 | 5            | 5 | 6           | 6 | 2    | 2 | 25         | 24 |

### Executive and Non-Executive Directors' remuneration package and interest in share capital

Details of the Executive and Non-Executive Directors' remuneration and interest in share capital for the year ended 31 December 2018 are as follows:

| Executive Directors                     | Basic salary/<br>fee | Benefits<br>in kind | Group<br>national<br>insurance<br>cost | Share based<br>payment<br>cost | Total cost of<br>employment<br>2018 | Total cost of<br>employment<br>2017 |
|---|----------------------|---------------------|--|--------------------------------|-------------------------------------|-------------------------------------|
|   | £'000                | £'000               | £'000                                  | £'000                          | £'000                               | £'000                               |
| Rt Hon Sir Tony Baldry                  | 54                   | -                   | 7                                      | 56                             | 117                                 | 56                                  |
| Peter Fowler                            | 157                  | 1                   | 21                                     | 131                            | 310                                 | 192                                 |
| Mark Hughes                             | 20                   | -                   | 3                                      | 40                             | 63                                  | -                                   |
| Stuart Fowler                           | 103                  | -                   | 14                                     | 56                             | 173                                 | 128                                 |
| Martin Boden                            | 150                  | 2                   | 20                                     | 19                             | 191                                 | 86                                  |
| Ian Selby                               | -                    | -                   | -                                      | -                              | -                                   | 105                                 |
| <b>Total Executive Remuneration</b>     | <b>484</b>           | <b>3</b>            | <b>65</b>                              | <b>302</b>                     | <b>854</b>                          | <b>567</b>                          |
| <b>Non-Executive Directors</b>          |                      |                     |  |                                |                                     |                                     |
| Lt. Col. Sir Malcolm Ross               | 18                   | 4                   | 3                                      | -                              | 25                                  | 24                                  |
| Lady Patricia Lewis                     | 14                   | -                   | 2                                      | -                              | 16                                  | -                                   |
| James Sutcliffe                         | 24                   | -                   | 3                                      | -                              | 27                                  | 32                                  |
| <b>Total Non-Executive Remuneration</b> | <b>56</b>            | <b>4</b>            | <b>8</b>                               | <b>-</b>                       | <b>68</b>                           | <b>56</b>                           |
| <b>Total Board Remuneration</b>         | <b>540</b>           | <b>7</b>            | <b>73</b>                              | <b>302</b>                     | <b>922</b>                          | <b>623</b>                          |

No options were exercised during the year and no cash benefit was therefore received by the directors and the share-based payment expense relates to a non-cash value.

The Executive and Non-Executive Directors who held office during the year had no interests in the shares or loan stock of the Company or any of its subsidiaries except for the following holdings of ordinary shares in the Company:

|                                 | 01 January 2018 | On Appointment | Purchased in Year | 31 December 2018 |
|---------------------------------|-----------------|----------------|-------------------|------------------|
| Peter Fowler and Mrs P J Fowler | 6,361,794       | -              | 100,000           | 6,461,794        |
| Mark Hughes                     | -               | 70,000         | 46,000            | 116,000          |
| Stuart Fowler                   | 541,618         | -              | -                 | 541,618          |
| Lady Patricia Lewis             | -               | -              | 100,000           | 100,000          |
| Lt Col Sir Malcolm Ross         | 140,884         | -              | -                 | 140,884          |
| Sir Tony Baldry                 | -               | -              | -                 | -                |
| Martin Boden                    | -               | -              | -                 | -                |
| James Sutcliffe                 | -               | -              | -                 | -                |



## Remuneration Committee Report continued

In addition to the interests disclosed above, the following Executive and Non-Executive Directors have options to acquire ordinary shares of 10p each in the Company granted under the 2007 Share Option Plan. Full details are as follows:

|                         | Grant Price | Market Price at Date of Grant | 1 January 2018 | Change in Year | 31 December 2018 | Date from which exercisable |
|-------------------------|-------------|-------------------------------|----------------|----------------|------------------|-----------------------------|
| Sir Anthony Baldry      | 13p         | 13p                           |                | 750,000        | 750,000          | 01 June 2019#               |
| Peter Fowler            | 28.5p       | 25.5p                         | 781,250        |                | 781,250          | 10 June 2016*               |
| Peter Fowler            | 13p         | 13p                           |                | 1,750,000      | 1,750,000        | 01 June 2019#               |
| Mark Hughes             | 13p         | 10.25p                        |                | 750,000        | 750,000          | 08 Nov 2019#                |
| Stuart Fowler           | 34.5p       | 34.5p                         | 15,000         |                | 15,000           | 21 April 2011               |
| Stuart Fowler           | 28.5p       | 25.5p                         | 625,000        |                | 625,000          | 10 June 2016*               |
| Stuart Fowler           | 13p         | 13p                           |                | 750,000        | 750,000          | 01 June 2019#               |
| Martin Boden            | 13p         | 13p                           |                | 250,000        | 250,000          | 01 June 2019#               |
| Lt Col Sir Malcolm Ross | 34.5p       | 34.5p                         | 2,000          |                | 2,000            | 21 April 2011               |
| Lt Col Sir Malcolm Ross | 28.5p       | 25.5p                         | 93,750         |                | 93,750           | 10 June 2016*               |

The market price of the shares at 31 December 2018 was 9.0p and the range during the year was 8.85p to 26.5p.

(\*) These options were granted to the Directors at a price of 28.5 pence under the 2007 EMI Scheme. Executive Directors are issued share options under the EMI Scheme and Non-Executive Directors under an unapproved scheme, which has the same rules as the EMI Scheme but without the relevant tax concessions. Save for a change of control in the Company, Share Options granted to Directors will only vest if the Company's share price has reached 60 pence at any time and became exercisable from 10 June 2016.

(#) These option were granted to the Directors at a price of 13 pence under the Company's 2017 Share Option Scheme. They can be exercised at any time from the first anniversary of the date of grant up to the tenth anniversary of that date. Save for a change of control in the Company, the Share Options will only vest if the Company's share price has reached 26 pence per Ordinary Share at any time, being twice the middle market price on the original date of grant.

### On behalf of the Board

Lt. Col. Sir Malcolm Ross

Chairman of the Remuneration Committee

23 May 2019

# Audit Committee Report

This report details how the Audit Committee has met its responsibilities under its Terms of Reference and under the Quoted Companies Alliance Corporate Governance Code since September 2018.

The Audit Committee focused particularly on the appropriateness of the Group's financial statements. The committee has satisfied itself, and has advised the Board accordingly, that the 2018 Annual Report and financial statements are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This committee was set up with Terms of Reference agreed in February 2017. It oversees and reviews the Company's financial reporting and internal control processes, its relationship with external auditors and the conduct of the audit process together with its process for ensuring compliance with laws, regulations and corporate governance. It is composed entirely of non-executive directors but other individuals such as the Company's CFO and CEO, representatives of the finance team may be invited to attend all or any part of any meeting when deemed appropriate. The Company's external auditors are invited to attend meetings of the Committee on a regular basis.

There is currently no internal audit function in view of the size of the Group, although this is kept under annual review.

## Committee Membership

The Audit Committee comprises;

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Charles Cattaneo - Chairman (Appointed 18 January 2019)

Lt. Col. Sir Malcolm Ross

Lady Patricia Lewis (Appointed 6 June 2018)

James Sutcliffe - Ex Chairman (Resigned 17 January 2019)

Roger Worrall (Secretary)

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The biographies of current members can be found on pages 18 and 19. The Board considers that the committee as a whole has an appropriate and experienced blend of commercial, financial and industry expertise to enable it to fulfil its duties, and that the committee chairman, Charles Cattaneo BCom MBA FCA., has appropriate recent and relevant financial experience.

## Role And Responsibilities

The Board has established an Audit Committee to monitor the integrity of the Company's financial statements and the effectiveness of the Group's internal financial controls. One of the Audit Committee's key responsibilities is to review the Group's financial risk management and internal controls systems, including in particular internal financial controls. During the year, the committee carried out a robust assessment of the principal financial risks facing the company and monitored the internal control system on an on-going basis. The committee also reviewed the effectiveness of the external audit process as part of the continuous improvement of financial reporting and risk management across the Group.

The committee's role and responsibilities are set out in the committee's terms of reference which are available from the Company. The Terms of Reference are reviewed annually and amended where appropriate. During the year the committee worked with management, the external auditors and other members of the senior management team in fulfilling these responsibilities.

## Meetings

The Audit Committee met once during the year ended 31 December 2018 to review the 2017 Financial Statements and in January 2019 to consider and accept the External Auditors plan for the 2018 audit.

## On behalf of the Board

Charles Cattaneo

Chairman of the Audit Committee

23 May 2019

# Corporate Governance Report

The Directors are committed to delivering high standards of corporate governance to the Group's shareholders and other stakeholders including employees, suppliers and the wider community. As an AIM listed company, full compliance with the UK Corporate Governance Code 2016 ("the Code") or the Quoted Companies Alliance Corporate Governance Code, is not a formal obligation. The Directors recognise the importance of sound corporate governance and the Group has sought to adopt the provisions of the Code that are appropriate to its size and organisation and establish frameworks for the achievement of this objective. The Board of Directors operates within the framework described below.

## The Board

The Board sets the Group's strategic aims and ensures that necessary resources are in place for the Group to meet its objectives. All members of the Board take collective responsibility for the performance of the Group, the Group's Corporate Governance and all decisions are taken in the interests of the Group. Whilst the Board has delegated the normal operational management of the Group to the Executive Directors and other senior management, there are detailed specific matters subject to decision by the Board of Directors. These include acquisitions and disposals, joint ventures and investments, projects of a capital nature and all significant contracts. The Non-Executive Directors have a responsibility to challenge constructively the strategy proposed by the Executive Directors; to scrutinise and challenge performance; to ensure appropriate remuneration and that succession planning arrangements are in place in relation to Executive Directors and other senior members of the management team. The senior executives enjoy open access to the Non-Executive Directors.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role including Corporate Governance. The Chairman sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, especially strategic issues. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors. The Chairman is also responsible for ensuring that the Directors receive accurate, timely and clear information. The Chairman ensures effective communication with shareholders.

All Directors allocate sufficient time to the Group to discharge their duties. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The search for Board candidates is conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

The Board is responsible for ensuring that a sound system of internal control exists to safeguard shareholders' interests and the Group's assets. It is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are designed to manage rather than eliminate risk and therefore even the most effective system cannot provide assurance that every risk, present and future, has been addressed. The key features of the system that operated during the year are described below.

## Organisational structure and control environment

The Board of Directors meets at least six times a year to review the performance of the Group. It seeks to foster a strong ethical culture across the Group. There are clearly defined lines of responsibility and delegation of authority from the Board to the operating subsidiaries. The Directors of each trading subsidiary meet on a regular basis with at least two members of the Group Board in attendance.

## Board Structure

The Company operates in complex and challenging technological and geographical areas and as such has put in place a board structure that can best provide the strategic advice and leadership required. The board structure consists of a PLC Board, and Operational Board and an International Advisory Board. The current members of each board may be found here.

The PLC Board contains a balance of Executive and Non-Executive Directors, including an Executive Chairman who is responsible for dealing with the strategic direction and long-term success of the Company. The Board will meet every two months or at any other time deemed necessary for the good management of the business and at a location agreed between the Board members. The Non-Executive Directors, Sir Malcolm Ross, Charles Cattaneo and Patsy Baker, are all considered independent directors not-with-standing Sir Malcolm Ross's length of service and former role as Chairman.

The Operational Board comprises of the Group CEO and other Executive and Divisional Directors as deemed appropriate and is responsible for the day to day running of the business. The Operational Board will meet weekly or at any other time deemed necessary for the good management of the business and at a location agreed between the Board members. The Operational Board reports to the PLC Board.

The International Advisory Board assists and advises the Company and its subsidiaries on various international issues including governmental and client liaison, cultural, ethnic and religious sensitivities, compliance with legal issues, financing and general business development.

## Board Composition, Experience and Dynamics

The Company operates in complex and challenging technological and geographical areas and the Board is mindful that in order to deal effectively with the challenges of the business and to maximise its growth opportunities it has to incorporate a broad range of skills and diversity. The Board maintains a skills, diversity and experience matrix which will be periodically reviewed at Board meetings to evaluate current and future requirements. The Board and its committees will also seek external expertise and advice where required. Board members undertake continuing professional development as and when appropriate. The composition of the board with the members skills and experience is set out on pages 18 to 19.

## Board Evaluation

The Board considers evaluation of its performance and that of its committees and individual directors to be an integral part of corporate governance to ensure it has the necessary skills, experience and abilities to fulfil its responsibilities. The goal of the Board evaluation process is to identify and address opportunities for improving the performance of the board and to solicit honest, genuine and constructive feedback.

The Board considers the evaluation process is best carried out internally at the Company's current size, However the Board will keep this under review and may consider independent external evaluation reviews in due course as the Company grows.

The Board will, as a whole or in part as appropriate, undertake the evaluation process aided by the Chairman, CEO and independent Non-Executive Directors or external advisors as necessary. The Chairman is responsible in ensuring the evaluation process is 'fit for purpose', as well as dealing with matters raised during the process. The Chairman will keep under review the frequency, scope and mechanisms for the evaluation process and amend the process as required.

Where deficiencies are identified these will be addressed in a constructive manner. Where necessary individual Directors will be offered mentoring and training. If deficiencies are identified within the Board as a whole, then changes or additions to the Board will be considered in conjunction with the Nominations Committee.

The evaluation process will be focused on the improvement of Board performance, through open and constructive dialogue and the development and implementation of action plans. The Board will report on its evaluation and actions in its Annual Report.

Succession planning is a vital task for boards and the management of succession planning represents a key measure of the effectiveness of the Board and a key responsibility of both the Nominations Committee and wider Board.

## Internal control

The key procedures which the Directors have established with a view to providing effective internal control are as follows:

- Regular Board meetings to consider the schedule of matters reserved for Directors' consideration;
- A risk management process;
- An established organisational structure with clearly defined lines of responsibility and delegation of authority;
- Appointment of staff of the necessary calibre to fulfil their allotted responsibilities; Comprehensive budgets, forecasts and business plans approved by the Board, reviewed on a regular basis, with performance monitored against them and explanations obtained for material variances; and
- An Audit Committee of the Board, comprising Non-Executive Directors, which considers significant financial control matters as appropriate.

## Business Model and Strategy

### Business Description

Our vision is to build a global business with strong brand recognition delivering niche security solutions and long-term managed services to high growth and emerging markets around the world, with a particular focus on long term recurring revenue business.

Our target customer base is primarily governments and governmental agencies, critical infrastructure (such as airports, ports & harbours, borders and power plants), and large-scale commercial organisations worldwide.

Our business has evolved from a traditional UK focused security business to what can be described today as a truly international business. Furthermore, our evolution continues as we expand our operations into new areas and new territories creating additional opportunities around the world in the provision of long-term managed security services and security products.

We deliver our wide range of solutions and services through a number of operating companies that are currently structured into two operating divisions; Managed Services and Technology; both primarily focused on international business as follows:

#### Managed Services division:

Focusing on long term (typically 10 - 25 years) recurring revenue managed services contracts such as the management and operation of security solutions in airports, ports and other such facilities, together with the provision of manpower, consultancy and training services.

#### Technology division:

Focussing on providing advanced technology led security solutions encompassing a wide range of surveillance, detection, tracking, screening and interception technologies to governments and organisations worldwide.

These two divisions offer cost effective dynamics and vertical integration with the Technology division providing vital infrastructure and complex technology solutions and expertise to the Managed Services division. This reduces both supplier exposure and cost and provides us with increasing purchasing power. Our Managed Services division provides a long-term business platform to deliver other cost-effective incremental services from the Company. Together these two divisions provide an opportunity to deliver long term, recurring revenue growth underpinned by a corporate infrastructure based on core values and risk mitigation through geographical spread and multiple revenue streams.



### Strategy

In accordance with our vision, we operate world-wide with a focus on high growth and emerging markets where our expertise and technological reach can make a significant difference. Our client base is predominantly governments and governmental bodies, transportation organisations, non-governmental organisations (NGOs) and commercial & multi-national corporations worldwide.

Operating in emerging markets does present particular challenges with language and logistics, religious and cultural considerations and ethics. Doing business with governments and large corporations, particularly where large scale nationally important contracts are involved, can be a time-consuming process and this can be all the more so in emerging markets where processes can be slow and bureaucratic due to the nature of governments and the inherent complexities of doing business in such markets. However, despite such challenges and in some cases because of them, emerging markets offer huge growth opportunities for our Company.

Over the years we have built up an extensive international network of agents and partners, some of whom have become strategic investors, who provide business development assistance to our sales team, in-country knowledge and logistical support together with arranging meetings, translations where required and assisting with client negotiations. This network provides us with a cost effective, scalable global footprint in our chosen markets. This network together with the support we receive from the British Government and in-country diplomatic missions around the world means Westminster is well placed and structurally organised to benefit from the many opportunities we are developing within these markets.

In addition, we operate one of the world's largest security product and solution websites which generates high levels of enquiries for our products and services.

We are not a manufacturer and are product agnostic which enables us to provide the most appropriate product or solution to address our clients' needs. We do however have strong working relationships with a great many leading and niche product manufacturers around the world enabling us to offer a broad and extensive range of solutions. We continually monitor market and technology advancements and regularly review our supplier and manufacturer base.

### Corporate Culture

The Board recognises that a corporate culture based on sound ethical values and behaviours is an asset and provides competitive advantages. The Company operates in international markets and is mindful that respect of individual cultures is critical to corporate success. In accordance with the Company's stated mission it endeavours to conduct its business in an ethical, professional and responsible manner, treating our employees, customers, suppliers and partners with equal courtesy and respect at all times.

We recognise ISO 26000 as a reference document that provides guidance for integration / implementation of social responsibility / socially responsible behaviour. The Company is also independently certified to and operates an ISO 9001 Quality Assurance programme and is working towards ISO 14001 - Environmental Management.

The Company also supports the local communities in which it operates indirectly through various charities and organisations and directly through the its own registered charity the Westminster Group Foundation.

### Stakeholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with all of its stakeholders, including shareholders, providing them with access to information to enable them to come to informed decisions about the Company. The Investor Relations section of the Company's website provides all required regulatory information as well as additional information shareholders may find helpful including: Share Services, information on Board Members, Advisors and Significant Shareholdings, a historical list of the Company's Announcements, its Financial Calendar, Corporate Governance information, the Company's publications including historic Annual Reports and Notices of Annual General Meetings, together with Share Price information and interactive Charting facilities to assist shareholders analyse performance.

Results of shareholder meetings and details of votes cast will be publicly announced through the regulatory system and displayed on the Company's website with suitable explanations of any actions undertaken as a result of any significant votes against resolutions.

Information on the work of the various Board Committees and other relevant information are included in the Company's Annual Report.

### Risk management

As an entrepreneurial business operating in emerging markets there is clearly an elevated risk which is balanced by potentially greater rewards. The Board is mindful of and monitors both its corporate risks and individual project risks. Risks are categorised by both probability and impact and appropriate measures identified to monitor and mitigate any potential impact.

Project risks are dealt with on a case by case basis and monitored through the life cycle of the project as risks change and new risks appear. Project risks and mitigation will be part of regular project management meetings. The project manager for any given project will have responsibility for maintaining the project risk register.

The Company's corporate risks, risk monitoring, and risk management procedures are regularly reviewed by the Risk Committee and the Company's risk register updated as necessary. The Company Secretary will have responsibility for maintaining the corporate risk register. The Risk Committee Chairman will be responsible for ensuring the risk register is regularly reviewed and will report on status and updates at Board meetings. The Company provides a risk report in its Annual Report each year.

The Board has the primary responsibility for identifying the major risks facing the Group. The Board has adopted a schedule of matters which are required to be brought to it for decision, ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. The Board has identified a number of key areas which are subject to regular reporting to the Board. The policies include defined procedures for seeking and obtaining approval for major transactions and organisational changes. The Group has a dedicated Risk Committee as detailed on page 21 of this report.

Risk reviews are carried out by each subsidiary and reviewed annually as part of an ongoing risk assessment process. The focus of the reviews is to identify the circumstances, both internally and externally, where risks might affect the Group's ability to achieve its business objectives. The management of each subsidiary periodically reports to the Board any new risks. In addition to risk assessment, the Board believes that the management structure within the Group facilitates free and rapid communication across the subsidiaries and between the Group Board and those subsidiaries and consequently allows a consistent approach to managing risks. Certain key functions are centralised, enabling the Group to address risks to the business present in those functions quickly and efficiently. The key risks and mitigation strategies of the business are set out on pages 22 to 23 of this report.

### Nomination Committee

This committee was set up with Terms of Reference agreed in February 2018. It leads the process for Board Appointments and to make recommendations to the Board on the constitution of the Board in view of the needs of the group. The majority of members are non-executive directors and it comprises;

|  |   |
|--|---|
| Lady Patricia Lewis - Chairman (Appointed 6 June 2018) | James Sutcliffe (Resigned 17 January 2019)    |
| Lt. Col. Sir Malcolm Ross                              | Rt Hon Sir Tony Baldry (Resigned 6 June 2018) |
| Charles Cattaneo (Appointed 18 January 2019)           | Roger Worrall (Secretary)                     |
| Peter Fowler   |   |

Other individuals may be invited to attend all or part of any meeting of the Committee when deemed appropriate.

The Nomination Committee met six times during the year.

### Disclosure Committee

This committee was set up with Terms of Reference agreed in February 2018. It oversees and regulates the Company's disclosure obligations and to ensure compliance with Market Abuse Regulations (MAR) and London Stock Exchange rules and it comprises;

|  |   |
|--|---|
| Lady Patricia Lewis - Chairman (Appointed 6 June 2018) | James Sutcliffe (Resigned 17 January 2019)    |
| Charles Cattaneo (Appointed 18 January 2019)           | Rt Hon Sir Tony Baldry (Resigned 6 June 2018) |
| Peter Fowler   | Martin Boden (Resigned 31 October 2018)       |
| Mark Hughes (Appointed 1 November 2018)                | Roger Worrall (Secretary)                     |

The Disclosure Committee met 25 times during the year.

### Corporate responsibility

The Board is very aware of the importance of its corporate responsibilities, particularly in terms of ensuring that high standards of behaviour are maintained wherever the Group is operating. The following principles and processes have been established for that purpose:

- Only supply goods and services that improve people's safety and security - no offensive activities;
- Protecting the health and safety of all employees is paramount;
- ISO 9001:2008 certified;
- ISO 14001:2004 environmental management system certification;
- Members of ADS Aerospace, Defence & Security Association;
- Operate a strict ethical policy with both employees and agents within the principles of CIS (Common Industry Standard) produced by the Aerospace and Defence Organisation of Europe;
- Comply with UK and International Export Controls criteria - key employees have attended required courses;
- Providing valuable employment and investment opportunities in third world areas;
- Promoting environmental solutions - e.g. solar street lighting, oil leak detection etc;
- Providing speakers at conferences & seminars, referenced by press & media;
- Supporting and assisting local and international charities; and
- The Group maintains a stringent anti-bribery policy and complies with both UK and local statutes.

### Financial planning, budgeting and monitoring

The Group operates a planning and budgeting system with an annual budget approved by the Board. There is a financial reporting system which compares results with the budget and the previous year each month to identify any variances from approved plans. Monthly rolling cash flow forecasts form part of the reporting system. The Group remains alert to react to other business opportunities as they arise.

### Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- provide an adequate return to shareholders.

The Group monitors capital on the basis of the carrying amount of equity plus its convertible loan, less cash and cash equivalents as presented on the face of the statement of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities other than its convertible loan. The Group manages the capital structure and adjusts to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may review any dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

There is no requirement for the Group to maintain a strong capital base for each of its UK subsidiaries and therefore each subsidiary is financed by inter-company debt from the Company. These policies have not changed in the year. The Directors believe that they have been able to meet their objectives in managing the capital of the Group.

### Non-Executive Directors

The Non-Executive Directors are considered by the Board to be independent in character and judgement and there are not considered to be any circumstances that are likely to affect their judgement as Directors of the Group. Their interests in the share capital of the Company are not considered to be likely to affect their judgement as Directors of the Group.

### Annual report

The Directors consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

# Statement of Directors' Responsibilities

## Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Website publication

The Directors are responsible for ensuring that the Annual Report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### On behalf of the Board

|              |                 |
|--------------|-----------------|
| Peter Fowler | Mark L W Hughes |
| Director     | Director        |

23 May 2019



# Independent Auditor's Report to the Members of Westminster Group Plc

## Opinion

We have audited the financial statements of Westminster Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter   | How our audit addressed the key audit matter  |
|--|---|
| <b>Going Concern (Note 2)</b><br><br>Significant losses are being incurred by the Group and it continued to finance its operating activities by raising new finance. Moreover the Convertible Loan Notes issued by the Group need to be repaid by 30 June 2020 or a further extension would be required. There is a significant risk that material uncertainties, if any, in relation to the going concern are not properly disclosed. | <p>We have reviewed management's cash flow forecasts, which cover a future period of 18 months from the financial reporting date;</p> <p>We have made enquiries with management and obtained support for the significant inputs and assumptions used in the forecasts. We also carried out sensitivity analysis on the revenue projections;</p> <p>We have reviewed board minutes during the year and up to the date of approval of the financial statements to indicate any other issues that may indicate the inability of the Group to continue as a going concern;</p> <p>We have reviewed documentation relating to the successful rollover of the Convertible Loan Notes through to 30 June 2020; and</p> <p>We have also assessed the adequacy of disclosure included in note 2 of the financial statements.</p> |

| Key Audit Matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Prior Year Adjustment-Goodwill (Note 10)</b></p> <p>During the year, a prior year error was identified by management in relation to the impairment of goodwill arising on the acquisition of Longmoor Security Limited in 2011.</p> <p>This oversight was rectified by management in the current year using expected future discounted cash flows.</p> <p>Given the material nature of the transaction and judgements applied by management, there is a risk that a prior year adjustment has not arisen or that inappropriate cash flows are used to show a favourable position at 31 December 2017 and 31 December 2018.</p> | <p>We have determined the appropriateness of management's assessment of whether the transaction is a prior year adjustment or not.</p> <p>We have reviewed management's assessment in relation to the allocation of Cash Generating Units;</p> <p>We have reviewed the cash flow projections based on the identified Cash Generating Units, critically reviewing the inputs, assumptions and performing sensitivity analysis on the cash flow projections; and</p> <p>We have assessed the adequacy of the disclosures included in note 10 of the financial statements in relation to goodwill and the prior year error.</p> |

### Our application of materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

We determined the materiality of the consolidated financial statements as a whole to be £77,000 (2017: £161,000), calculated with reference to a benchmark of 5% of the Group loss before tax and impairment. This is the threshold above which missing or incorrect information in the financial statements is considered to have an impact on the decision making of users. The Parent Company materiality was set at £69,000 (2017: £109,000) being similar to Group materiality. Materiality for Sierra Leone components was set at £58,000 (2017: £50,000). Materiality has been calculated based on profit before tax as a benchmark as in our opinion, the user of the financial statements will be most interested in the overall performance of the business.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 68% (2017: 60%) of the above materiality which is considered reasonable keeping in view low history of adjustable misstatements and strong control environment maintained by management.

We reported to the Audit Committee all potential adjustments above £4,000 being 5% of the materiality for the financial statements as a whole.

### An overview of the scope of our audit

The Group operates through ten trading subsidiaries six of which we considered to be significant components for the purposes of the consolidated financial statements. The financial statements consolidate these entities together with a number of non-trading subsidiary undertakings. In establishing our overall approach to the Group audit, we determined the type of audit work that needed to be performed on each component. This consisted of us carrying out a full scope audit of four significant components of the Group in the United Kingdom, reviewing the component auditors' working papers on three significant components in Sierra Leone in response to our Group instructions and performing limited audit procedures on three subsidiaries.

We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work towards those areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

We tested and examined information using both analytical procedures and tests of detail, to the extent necessary to provide us with a reasonable basis to draw conclusions. These procedures, together with our detailed review of the procedures performed by component auditors, gave us the evidence that we needed for our opinion on the financial statements as a whole and, in particular, helped mitigate the risks of material misstatements mentioned below.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report to the Members of Westminster Group Plc continued

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Simms (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

150 Aldersgate Street

London EC1A 4AB

23 May 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Westminster Group PLC

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

|   | Note | 2018<br>Continuing<br>Operations<br>£'000 | 2018<br>Discontinued<br>Operations<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>Continuing<br>Operations<br>(Restated)<br>£'000 | 2017<br>Discontinued<br>Operations<br>£'000 | 2017<br>Total<br>£'000 |
|---|------|---|---|------------------------|---|---|------------------------|
| REVENUE   | 3    | 6,668                                     | -   | 6,668                  | 5,330   | 66  | 5,396                  |
| Cost of sales   |      | (3,020)                                   | -   | (3,020)                | (2,015)   | (182)                                       | (2,197)                |
| GROSS PROFIT  |      | 3,648                                     | -   | 3,648                  | 3,315   | (116)                                       | 3,199                  |
| Administrative expenses                                 |      | (4,835)                                   | 149   | (4,686)                | (4,736)   | (3,553)                                     | (8,289)                |
| <b>(LOSS) / PROFIT FROM OPERATIONS</b>                  | 6    | <b>(1,187)</b>                            | <b>149</b>                                  | <b>(1,038)</b>         | <b>(1,421)</b>  | <b>(3,669)</b>                              | <b>(5,090)</b>         |
| <b>Analysis of operating loss</b>                       |      |   |   |                        |   |   |                        |
| Loss from operations                                    |      | (1,187)                                   | 149   | (1,038)                | (1,421)   | (3,669)                                     | (5,090)                |
| Add back amortisation                                   | 11   | 33  | -   | 33                     | 31  | -   | 31                     |
| Add back depreciation                                   | 12   | 115                                       | -   | 115                    | 139   | 144   | 283                    |
| (Reversal of Impairment) /<br>impairment                | 29   | -   | (170)                                       | (170)                  | -   | 2,491                                       | 2,491                  |
| Add back share option expense                           |      | 281                                       | -   | 281                    | 63  | -   | 63                     |
| Add back exceptional items <sup>1</sup>                 | 4    | 380                                       | 21  | 401                    | 653   | 335   | 988                    |
| <b>EBITDA loss from underlying<br/>operations</b>       |      | <b>(378)</b>                              | <b>-</b>                                    | <b>(378)</b>           | <b>(535)</b>  | <b>(699)</b>                                | <b>(1,234)</b>         |
| Finance costs   | 5    | (329)                                     | -   | (329)                  | (630)   | -   | (630)                  |
| <b>(LOSS) / PROFIT BEFORE TAXATION</b>                  |      | <b>(1,516)</b>                            | <b>149</b>                                  | <b>(1,367)</b>         | <b>(2,051)</b>  | <b>(3,669)</b>                              | <b>(5,720)</b>         |
| Taxation  | 7    | 872                                       | -   | 872                    | -   | -   | -                      |
| <b>(EXPENSE) / INCOME</b>                               |      | <b>(644)</b>                              | <b>149</b>                                  | <b>(495)</b>           | <b>(2,051)</b>  | <b>(3,669)</b>                              | <b>(5,720)</b>         |
| <b>TOTAL COMPREHENSIVE LOSS<br/>ATTRIBUTABLE TO:</b>    |      |   |   |                        |   |   |                        |
| OWNERS OF THE PARENT                                    |      | (498)                                     | 149   | (349)                  | (1,851)   | (3,669)                                     | (5,520)                |
| NON-CONTROLLING INTEREST                                |      | (146)                                     | -   | (146)                  | (200)   | -   | (200)                  |
| <b>(LOSS) / PROFIT AND TOTAL<br/>COMPREHENSIVE LOSS</b> |      | <b>(644)</b>                              | <b>149</b>                                  | <b>(495)</b>           | <b>(2,051)</b>  | <b>(3,669)</b>                              | <b>(5,720)</b>         |
| <b>(LOSS) / PROFIT PER SHARE</b>                        | 9    | <b>(0.51 p)</b>                           | <b>0.11p</b>                                | <b>(0.40p)</b>         | <b>(1.88p)</b>  | <b>(3.36p)</b>                              | <b>(5.24p)</b>         |

The accompanying notes form part of these financial statements.

<sup>1</sup> Exceptional items relate to certain costs or income that derives from events or transactions that fall within the normal activities of the Group but which, individually or, if of a similar type, in aggregate, are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group



# Westminster Group PLC

## Consolidated and Company Statements of Financial Position

As at 31 December 2018

|   | Note   | Group<br>2018<br>£'000 | Group<br>Restated<br>2017<br>£'000 | Company<br>2018<br>£'000 | Company<br>2017<br>£'000 |
|---|--------|------------------------|------------------------------------|--------------------------|--------------------------|
| Goodwill  | 10     | 596                    | 397                                | -                        | -                        |
| Other intangible assets                                   | 11     | 100                    | 129                                | 100                      | 128                      |
| Property, plant and equipment                             | 12     | 1,898                  | 1,952                              | 1,025                    | 1,028                    |
| Investment in subsidiaries                                | 14     | -                      | -                                  | 6,906                    | 7,116                    |
| Deferred tax asset  | 7 & 17 | 889                    | -                                  | -                        | -                        |
| <b>TOTAL NON-CURRENT ASSETS</b>                           |        | <b>3,483</b>           | <b>2,478</b>                       | <b>8,031</b>             | <b>8,272</b>             |
| Inventories   | 18     | 74                     | 39                                 | -                        | -                        |
| Trade and other receivables                               | 19     | 4,616                  | 693                                | 27                       | 42                       |
| Cash and cash equivalents                                 | 20     | 290                    | 392                                | 29                       | 78                       |
| <b>TOTAL CURRENT ASSETS</b>                               |        | <b>4,980</b>           | <b>1,124</b>                       | <b>56</b>                | <b>120</b>               |
| Assets of disposal groups classified as held for sale     | 29     | 170                    | -                                  | -                        | -                        |
| <b>TOTAL ASSETS</b>                                       |        | <b>8,633</b>           | <b>3,602</b>                       | <b>8,087</b>             | <b>8,392</b>             |
| Called up share capital                                   | 21     | 13,003                 | 12,074                             | 13,003                   | 12,074                   |
| Share premium account                                     |        | 9,568                  | 9,226                              | 9,568                    | 9,226                    |
| Merger relief reserve                                     |        | 299                    | 299                                | 299                      | 299                      |
| Share based payment reserve                               |        | 858                    | 621                                | 858                      | 621                      |
| Equity reserve on convertible loan note                   |        | 222                    | 186                                | 21                       | -                        |
| Revaluation reserve                                       |        | 134                    | 134                                | 134                      | 134                      |
| Retained earnings:  |        |                        |                                    |                          |                          |
| At 1 January  |        | (22,256)               | (16,772)                           | (14,227)                 | (6,135)                  |
| Loss for the year   |        | (349)                  | (5,520)                            | (1,921)                  | (8,128)                  |
| Other changes in retained earnings                        |        | 13                     | 36                                 | -                        | 36                       |
| At 31 December  |        | (22,592)               | (22,256)                           | (16,148)                 | (14,227)                 |
| <b>EQUITY / (DEFICIT) ATTRIBUTABLE TO:</b>                |        |                        |                                    |                          |                          |
| <b>OWNERS OF THE COMPANY</b>                              |        | <b>1,492</b>           | <b>284</b>                         | <b>7,735</b>             | <b>8,127</b>             |
| <b>NON-CONTROLLING INTEREST</b>                           |        | <b>(346)</b>           | <b>(200)</b>                       | <b>-</b>                 | <b>-</b>                 |
| <b>TOTAL EQUITY</b>                                       |        | <b>1,146</b>           | <b>84</b>                          | <b>7,735</b>             | <b>8,127</b>             |
| Borrowings  | 23     | 2,387                  | 2,184                              | 171                      | -                        |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                      |        | <b>2,387</b>           | <b>2,184</b>                       | <b>171</b>               | <b>-</b>                 |
| Deferred income   | 24     | 2,438                  | -                                  | -                        | -                        |
| Trade and other payables                                  | 24     | 2,511                  | 1,096                              | 181                      | 265                      |
| <b>TOTAL CURRENT LIABILITIES</b>                          |        | <b>4,949</b>           | <b>1,096</b>                       | <b>181</b>               | <b>265</b>               |
| Liabilities of disposal group classified as held for sale | 29     | 151                    | 238                                | -                        | -                        |
| <b>TOTAL LIABILITIES</b>                                  |        | <b>7,487</b>           | <b>3,518</b>                       | <b>352</b>               | <b>265</b>               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>         |        | <b>8,633</b>           | <b>3,602</b>                       | <b>8,087</b>             | <b>8,392</b>             |

The accompanying notes form part of these financial statements. The Group and Company financial statements were approved by the Board and authorised for issue on 23 May 2019 and signed on its behalf by:

Peter Fowler  
Director

Mark L W Hughes  
Director

23 May 2019

# Westminster Group PLC

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

|  | Called up share capital | Share premium account | Merger relief reserve | Share based payment reserve | Revaluation reserve | Equity reserve on convertible loan note | Retained earnings | Total        | Non-controlling interest | Total        |
|--|-------------------------|-----------------------|-----------------------|-----------------------------|---------------------|---|-------------------|--------------|--------------------------|--------------|
|  | £'000                   | £'000                 | £'000                 | £'000                       | £'000               | £'000                                   | £'000             | £'000        | £'000                    | £'000        |
| <b>AS AT 1 JANUARY 2018</b>              | 12,074                  | 9,226                 | 299                   | 621                         | 134                 | 186                                     | (22,256)          | 284          | (200)                    | 84           |
| Shares issued for cash                   | 841                     | 409                   | -                     | -                           | -                   | -                                       | -                 | 1,250        | -                        | 1,250        |
| Cost of share issues                     | -                       | (67)                  | -                     | -                           | -                   | -                                       | -                 | (67)         | -                        | (67)         |
| Share based payment charge               | -                       | -                     | -                     | 237                         | -                   | -                                       | -                 | 237          | -                        | 237          |
| Exercise of warrants                     | 88                      | -                     | -                     | -                           | -                   | -                                       | -                 | 88           | -                        | 88           |
| Other movements in Equity                | -                       | -                     | -                     | -                           | -                   | -                                       | 13                | 13           | -                        | 13           |
| CLN movement                             | -                       | -                     | -                     | -                           | -                   | 36                                      | -                 | 36           | -                        | 36           |
| <b>TRANSACTIONS WITH OWNERS</b>          | <b>929</b>              | <b>342</b>            | <b>-</b>              | <b>237</b>                  | <b>-</b>            | <b>36</b>                               | <b>13</b>         | <b>1,557</b> | <b>-</b>                 | <b>1,557</b> |
| Total comprehensive expense for the year | -                       | -                     | -                     | -                           | -                   | -                                       | (349)             | (349)        | (146)                    | (495)        |
| <b>AS AT 31 DECEMBER 2018</b>            | <b>13,003</b>           | <b>9,568</b>          | <b>299</b>            | <b>858</b>                  | <b>134</b>          | <b>222</b>                              | <b>(22,592)</b>   | <b>1,492</b> | <b>(346)</b>             | <b>1,146</b> |
| <b>AS AT 1 JANUARY 2017</b>              | <b>8,711</b>            | <b>9,169</b>          | <b>299</b>            | <b>569</b>                  | <b>134</b>          | <b>186</b>                              | <b>(16,772)</b>   | <b>2,296</b> | <b>-</b>                 | <b>2,296</b> |
| Shares issued for cash                   | 2,291                   | -                     | -                     | -                           | -                   | -                                       | -                 | 2,291        | -                        | 2,291        |
| Cost of share issues                     | -                       | (76)                  | -                     | -                           | -                   | -                                       | -                 | (76)         | -                        | (76)         |
| Share based payment charge               | -                       | -                     | -                     | 88                          | -                   | -                                       | -                 | 88           | -                        | 88           |
| Lapse of share options                   | 5                       | -                     | -                     | (2)                         | -                   | -                                       | 2                 | 5            | -                        | 5            |
| Warrants issued with loan notes          | -                       | -                     | -                     | (34)                        | -                   | -                                       | 34                | -            | -                        | -            |
| CLN conversion                           | 1,067                   | 133                   | -                     | -                           | -                   | -                                       | -                 | 1,200        | -                        | 1,200        |
| <b>TRANSACTIONS WITH OWNERS</b>          | <b>3,363</b>            | <b>57</b>             | <b>-</b>              | <b>52</b>                   | <b>-</b>            | <b>-</b>                                | <b>36</b>         | <b>3,508</b> | <b>-</b>                 | <b>3,508</b> |
| Total comprehensive expense for the year | -                       | -                     | -                     | -                           | -                   | -                                       | (5,520)           | (5,520)      | (200)                    | (5,720)      |
| <b>AS AT 31 DECEMBER 2017</b>            | <b>12,074</b>           | <b>9,226</b>          | <b>299</b>            | <b>621</b>                  | <b>134</b>          | <b>186</b>                              | <b>(22,256)</b>   | <b>284</b>   | <b>(200)</b>             | <b>84</b>    |

The accompanying notes form part of these financial statements.

# Westminster Group PLC

## Company Statement of Changes in Equity

For the year ended 31 December 2018

|  | Called<br>up share<br>capital | Share<br>premium<br>account | Merger<br>relief<br>reserve | Share<br>based<br>payment<br>reserve | Revaluation<br>reserve | Equity<br>Reserve on<br>convertible<br>loan note | Retained<br>earnings | Total         |
|--|-------------------------------|-----------------------------|-----------------------------|--------------------------------------|------------------------|--|----------------------|---------------|
|  | £'000                         | £'000                       | £'000                       | £'000                                | £'000                  | £'000  | £'000                | £'000         |
| <b>AS AT 1 JANUARY 2018</b>  | 12,074                        | 9,226                       | 299                         | 621                                  | 134                    | -  | (14,227)             | 8,127         |
| Shares issued for cash   | 841                           | 409                         | -                           | -                                    | -                      | -  | -                    | 1,250         |
| Cost of share issues   | -                             | (67)                        | -                           | -                                    | -                      | -  | -                    | (67)          |
| Share based payment charge   | -                             | -                           | -                           | 237                                  | -                      | -  | -                    | 237           |
| Exercise of share options  | 88                            | -                           | -                           | -                                    | -                      | -  | -                    | 88            |
| Recognition of Equity component<br>of Convertible Loan Notes (CLN) | -                             | -                           | -                           | -                                    | -                      | 21   | -                    | 21            |
| <b>TRANSACTIONS WITH OWNERS</b>                                    | <b>929</b>                    | <b>342</b>                  | <b>-</b>                    | <b>237</b>                           | <b>-</b>               | <b>21</b>  | <b>-</b>             | <b>1,529</b>  |
| Total comprehensive expense for<br>the year                        | -                             | -                           | -                           | -                                    | -                      | -  | (1,921)              | (1,921)       |
| <b>AS AT 31 DECEMBER 2018</b>                                      | <b>13,003</b>                 | <b>9,568</b>                | <b>299</b>                  | <b>858</b>                           | <b>134</b>             | <b>21</b>  | <b>(16,148)</b>      | <b>7,735</b>  |
| <b>AS AT 1 JANUARY 2017</b>  | <b>8,711</b>                  | <b>9,169</b>                | <b>299</b>                  | <b>569</b>                           | <b>134</b>             | <b>-</b>   | <b>(6,135)</b>       | <b>12,747</b> |
| Shares issued for cash   | 2,291                         | -                           | -                           | -                                    | -                      | -  | -                    | 2,291         |
| Cost of share issues   | -                             | (76)                        | -                           | -                                    | -                      | -  | -                    | (76)          |
| Share based payment charge   | -                             | -                           | -                           | 88                                   | -                      | -  | -                    | 88            |
| Exercise of share options  | 5                             | -                           | -                           | (2)                                  | -                      | -  | 2                    | 5             |
| Lapse of share options   | -                             | -                           | -                           | (34)                                 | -                      | -  | 34                   | -             |
| CLN conversion   | 1,067                         | 133                         | -                           | -                                    | -                      | -  | -                    | 1,200         |
| <b>TRANSACTIONS WITH OWNERS</b>                                    | <b>3,363</b>                  | <b>57</b>                   | <b>-</b>                    | <b>52</b>                            | <b>-</b>               | <b>-</b>   | <b>36</b>            | <b>3,508</b>  |
| Total comprehensive income for<br>the year                         | -                             | -                           | -                           | -                                    | -                      | -  | (8,128)              | (8,128)       |
| <b>AS AT 31 DECEMBER 2017</b>                                      | <b>12,074</b>                 | <b>9,226</b>                | <b>299</b>                  | <b>621</b>                           | <b>134</b>             | <b>-</b>   | <b>(14,227)</b>      | <b>8,127</b>  |

The accompanying notes form part of these financial statements.

# Westminster Group PLC

## Consolidated Cash Flow Statement

For the year ended 31 December 2018

|  | Note | 2018<br>Continuing<br>Operations<br>£'000 | 2018<br>Discontinued<br>Operations<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>Continuing<br>Operations<br>£'000 | 2017<br>Discontinued<br>Operations<br>£'000 | 2017<br>Total<br>£'000 |
|--|------|---|---|------------------------|---|---|------------------------|
| (LOSS) / PROFIT AFTER TAX                                    |      | (644)                                     | 149   | (495)                  | (2,051)                                   | (3,669)                                     | (5,720)                |
| Taxation (credit) / debit                                    |      | (872)                                     | -   | (872)                  | -   | -   | -                      |
| LOSS BEFORE TAX  |      | (1,516)                                   | 149   | (1,367)                | (2,051)                                   | (3,669)                                     | (5,720)                |
| Non-cash adjustments   | 25   | 490                                       | (170)                                       | 320                    | 897                                       | 2,635                                       | 3,532                  |
| Net changes in working capital                               | 25   | (192)                                     | -   | (192)                  | 435                                       | 206   | 641                    |
| <b>NET CASH USED<br/>IN OPERATING ACTIVITIES</b>             |      | <b>(1,218)</b>                            | <b>(21)</b>                                 | <b>(1,239)</b>         | <b>(719)</b>                              | <b>(828)</b>                                | <b>(1,547)</b>         |
| <b>INVESTING ACTIVITIES:</b>                                 |      |   |   |                        |   |   |                        |
| Purchase of property, plant and equipment                    |      | (58)                                      | -   | (58)                   | (69)                                      | (4)   | (73)                   |
| Purchase of intangible assets                                |      | -   | -   | -                      | (56)                                      | -   | (56)                   |
| Proceeds from disposal of fixed assets                       |      | -   | -   | -                      | 1   | -   | 1                      |
| Cash inflow on Acquisition                                   | 30   | 104                                       | -   | 104                    | -   | -   | -                      |
| <b>CASH INFLOW / (OUTFLOW) FROM<br/>INVESTING ACTIVITIES</b> |      | <b>46</b>                                 | <b>-</b>                                    | <b>46</b>              | <b>(124)</b>                              | <b>(4)</b>                                  | <b>(128)</b>           |
| <b>CASHFLOWS FROM FINANCING ACTIVITIES:</b>                  |      |   |   |                        |   |   |                        |
| Gross proceeds from the issues of ordinary shares            |      | 1,338                                     | -   | 1,338                  | 2,376                                     | -   | 2,376                  |
| Costs of share issues  |      | (68)                                      | -   | (68)                   | (160)                                     | -   | (160)                  |
| Net proceeds from the issue of convertible loan notes        |      | 176                                       | -   | 176                    | -   | -   | -                      |
| -Interest paid   |      | (355)                                     | -   | (355)                  | (265)                                     | -   | (265)                  |
| Other loan repayments, including interest                    |      | -   | -   | -                      | (36)                                      | -   | (36)                   |
| <b>CASH INFLOW FROM FINANCING ACTIVITIES</b>                 |      | <b>1,091</b>                              | <b>-</b>                                    | <b>1,091</b>           | <b>1,915</b>                              | <b>-</b>                                    | <b>1,915</b>           |
| Net change in cash and cash equivalents                      |      | (81)                                      | (21)  | (102)                  | 1,072                                     | (832)                                       | 240                    |
| <b>CASH AND EQUIVALENTS AT BEGINNING<br/>OF YEAR</b>         |      |   |   | <b>392</b>             |   |   | <b>152</b>             |
| <b>CASH AND EQUIVALENTS AT END OF YEAR</b>                   |      |   |   | <b>290</b>             |   |   | <b>392</b>             |

The only change in liabilities arising from financing activities is the movement in Convertible Loan Notes, as disclosed in Note 16. The accompanying notes form part of these financial statements.



# Westminster Group PLC

## Company Cash Flow Statement

For the year ended 31 December 2018

|   | Note | Company<br>2018<br>£'000 | Company<br>2017<br>£'000 |
|---|------|--------------------------|--------------------------|
| <b>LOSS AFTER TAX</b>                                 |      | (1,921)                  | (8,128)                  |
| Non-cash adjustments                                  | 25   | 704                      | 6,215                    |
| Net changes in working capital                        | 25   | 99                       | 120                      |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>          |      | <b>(1,118)</b>           | <b>(1,793)</b>           |
| <b>INVESTING ACTIVITIES:</b>                          |      |                          |                          |
| Purchase of property, plant and equipment             |      | (33)                     | (9)                      |
| Purchase of intangible assets                         |      | -                        | (56)                     |
| <b>CASH OUTFLOW FROM INVESTING ACTIVITIES</b>         |      | <b>(33)</b>              | <b>(65)</b>              |
| <b>CASHFLOWS FROM FINANCING ACTIVITIES:</b>           |      |                          |                          |
| Gross proceeds from the issues of ordinary shares     |      | 1,338                    | 2,376                    |
| Costs of share issues                                 |      | (68)                     | (160)                    |
| Net proceeds from the issue of convertible loan notes |      | 177                      | -                        |
| Interest paid   |      | (345)                    | (265)                    |
| Other loan repayments, including interest             |      | -                        | (36)                     |
| <b>CASH INFLOW FROM FINANCING ACTIVITIES</b>          |      | <b>1,102</b>             | <b>1,915</b>             |
| Net change in cash and cash equivalents               |      | (49)                     | 57                       |
| <b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>      |      | <b>78</b>                | <b>21</b>                |
| <b>CASH AND EQUIVALENTS AT END OF YEAR</b>            |      | <b>29</b>                | <b>78</b>                |

The accompanying notes form part of these financial statements.

The only change in liabilities arising from financing activities is the movement in Convertible Loan Notes, as disclosed in Note 16.

# Notes to the Financial Statements

## 1. General information and nature of operations

Westminster Group plc (“the Company”) was incorporated on 7 April 2000 and is domiciled and incorporated in the United Kingdom and quoted on AIM. The Group’s financial statements for the year ended 31 December 2018 consolidate the individual financial statements of the Company and its subsidiaries. The Group designs, supply and provides on-going advanced technology solutions and services to governmental and non-governmental organisations on a global basis.

## 2. Summary of significant accounting policies

### Basis of preparation

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The Parent Company has elected to prepare its financial statements in accordance with IFRS.

The financial information is presented in the Company’s functional currency, which is Great British Pounds (“GBP”) since that is the currency in which the majority of the Group’s transactions are denominated.

### Basis of measurement

The financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below.

### Consolidation

#### (i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2018.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Subsidiaries are fully consolidated using the purchase method of accounting from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

#### (iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

#### (iv) Company financial statements

Investments in subsidiaries are carried at cost less provision for any impairment. Dividend income is recognised when the right to receive payment is established.

### Going concern

The Group made a loss during the period of £495,000 (2017: Loss of £5,720,000), of which £644,000 (2017: Loss of £2,051,000) related to continuing operations. The cash outflow from operating activities during the year was £1,218,000 (2017: £719,000), which was financed through raising new equity.

The Group’s convertible secured loan notes have a principle value of £2.245m and the term has recently been extended from 31 December 2019 to 30 June 2020. Whilst not repayable in the 12 months from the date of these financial statements, the board believes that the pipeline of potential Managed Services contracts could either give the Company the capability of repayments from cash flow, or that the bondholders could convert to equity. As part of a routine planning process the Board has identified options for the repayment of the convertible secured loan notes from either cash generated from operations or as part of any financing to support new projects won.

The directors have therefore reviewed the Group’s resources at the date of approving the financial statements, and their projections for future trading, which due to winning incremental new business give a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, which for the avoidance of doubt is at least 12 months from the date of signing the financial statements. Thus, they continue to adopt the going concern basis of accounting in the preparing the financial statements.

### **Business combinations**

The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

### **Foreign currency**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and not subsequently retranslated.

Foreign exchange gains and losses are recognised in arriving at profit before interest and taxation (see Note 6).

### **Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision-maker. The chief decision-maker has been identified as the Executive Board, at which level strategic decisions are made.

An operating segment is a component of the Group

- That engages in business activities from which it may earn revenues and incur expenses,
- Whose operating results are regularly reviewed by the entity's chief operating decisions maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which discrete financial information is available.

### **Revenue**

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowance:

#### Supply of products

Revenue in respect of supply of product is recognised at a point in time when products are delivered and legal title is transfer to the customer.

#### Supply and installation contracts and supply of services

Where the outcome can be estimated reliably in respect of long-term contracts and contracts for on-going services, revenue is recognised over the time and represents the value of work done in the period, including estimates of amounts not invoiced. Revenue in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion, where the stage of completion can be assessed with reasonable accuracy. This is assessed by reference to the estimated project costs incurred to date compared to the total estimated project costs. Revenue is calculated to reflect the substance of the contract and is reviewed on a contract-by-contract basis, with revenues and costs at each divisible stage reflecting known inequalities of profitability. Where a contract is loss making, the full loss is recognised immediately. Managed services income is recognised over time and is based on the volume of the passenger and freight.

#### Maintenance Income

The revenue in relation to supply of maintenance contract is recognised over time on a straight-line basis. The unrecognised portion of maintenance contract is included within trade and other payables as deferred revenue.

#### Training courses

The revenue on training course is recognised at a point in time after the course has been conducted i.e performance obligation in relation to the course are fulfilled.

### **Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised. Certain items have been disclosed as operating exceptional due to their size and nature and their separate disclosure should enable better understanding of the financial dynamics.

## Interest income and expenses

Interest income and expenses are reported on an accruals basis using the effective interest method.

## Goodwill

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, and b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair value of identifiable net assets. If the fair value of identifiable net assets exceeds the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. Goodwill is carried at cost less accumulated impairment losses.

## Other intangible assets

Acquired intangibles that are as a result of a business combination are recorded at fair value and are amortised on a straight line over the expected useful lives.

Other intangible assets comprise website costs and licences. Website costs are capitalised and amortised on a straight-line basis over 5 years, the expected economic life of the asset. This amortisation is charged to administrative expenses.

## Property, plant and equipment

Land and buildings held for use are held at their revalued amounts, being the fair value on the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the statement of comprehensive income.

Plant and equipment, office equipment, fixtures and fittings and motor vehicles are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets to their residual value over their estimated useful lives, using the straight-line method, typically at the following rates. Where certain assets are specific for a long-term contract and the customer has an obligation to purchase the asset at the end of the contract they are depreciated in accordance with the expected disposal / residual value.

|                                       | Rate                       |
|---------------------------------------|----------------------------|
| Freehold buildings                    | 2%                         |
| Plant and equipment                   | 7% to 25%                  |
| Office equipment, fixtures & fittings | 20% to 33%                 |
| Ferries                               | Depreciated over 21 years. |
| Motor vehicles                        | 20%                        |

## Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

### **Impairment on non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

### **Financial instruments**

#### *Financial assets*

The Group's financial assets include cash and cash equivalents and loans and other receivables. All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in carrying value are recognised in the Statement of Comprehensive Income. Interest and other cash flows resulting from holding financial assets are recognised in the Statement of Cash Flows when received, regardless of how the related carrying amount of financial assets is measured.

The Group recognises a loss allowance for expected losses on financial assets that are measured at amortised cost including trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Cash and cash equivalents comprise cash at bank and deposits and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities unless a legally enforceable right to offset exists.

#### *Financial liabilities*

The Group's financial liabilities comprise trade and other payables and borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when they are extinguished, discharged, cancelled or expire.

Convertible loan notes with an option that leads to a potentially variable number of shares, have been accounted for as a host debt with an embedded derivative. The embedded derivative is accounted for at fair value through profit and loss at each reporting date. The host debt is recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

Convertible loan notes which can be converted to share capital at the option of the holder, and where the number of shares to be issued does not vary with changes in fair value, are considered to be a compound instrument.

The liability component of a compound instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound instrument and fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### **Investments in subsidiaries**

Subsidiary fixed asset investments are valued at cost less provision for impairment.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Costs principally comprise of materials and bringing them to their present location.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised as an expense or income in profit or loss, except in respect of items dealt with through equity, in which case the tax is also dealt with through equity.



The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on material differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities unless a legally enforceable right to offset exists.

#### **Equity, reserves and dividend payments**

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Merger relief reserve includes any premiums on issue of share capital as part or all of the consideration in a business combination.

The share-based payment reserve represents equity-settled share-based employee remuneration until such share options are exercised or lapse.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings include all current and prior period retained profits and losses.

Dividend distributions payable to equity shareholders are included in liabilities when the dividends have been approved in a general meeting prior to the reporting date.

#### **Defined contribution pension scheme**

The Group operates a defined contribution pension scheme for employees in the UK and is operating under auto enrolment. Local labour in Africa benefit from a termination payment on leaving employment. The expected value of this is accrued on a monthly basis.

#### **Share-based compensation (Employee Based Benefits)**

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense over the vesting period, based on the Group's estimate of awards that will eventually vest, with a corresponding increase in equity as a share-based payment reserve. For plans that include market based vesting conditions, the fair value at the date of grant reflects these conditions and are not subsequently revisited.

Fair value is determined using Black-Scholes option pricing models. Non-market based vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the number of options that are expected to vest is estimated. The impact of any revision of original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity, over the remaining vesting period.

The proceeds received when vested options are exercised, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

#### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

### **SIGNIFICANT MANAGEMENT JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowance:

#### Supply of products

Revenue in respect of supply of product is recognised at a point in time when products are delivered and legal title is transfer to the customer.

#### Supply and installation contracts and supply of services

Where the outcome can be estimated reliably in respect of long-term contracts and contracts for on-going services, revenue is recognised over the time and represents the value of work done in the period, including estimates of amounts not invoiced. Revenue in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion, where the stage of completion can be assessed with reasonable accuracy. This is assessed by reference to the estimated project costs incurred to date compared to the total estimated project costs. Revenue is calculated to reflect the substance of the contract and is reviewed on a contract-by-contract basis, with revenues and costs at each divisible stage reflecting known inequalities of profitability. Where a contract is loss making, the full loss is recognised immediately. Managed services income is recognised over time and is based on the volume of the passenger and freight.

#### Maintenance Income

The revenue in relation to supply of maintenance contract is recognised over time on a straight-line basis. The unrecognised portion of maintenance contract is included within trade and other payables as Contract Obligation.

#### Training courses

The revenue on training course is recognised at a point in time after the course has been conducted i.e performance obligation in relation to the course are fulfilled.

Recognition of income is in line with the policy above. In this process management make significant judgements about milestones, actual work performed and the estimated costs to complete the work. Revenue is calculated to reflect the substance of the contract and is reviewed on a contract-by-contract basis, with revenues and costs at each divisible stage reflecting known inequalities of profitability.

Consolidation of entities in which the Group holds less than 50% of the voting rights.

Management considers that the Group has de facto control of Westminster Sierra Leone Limited even though it has less than 50% of the voting rights.

#### Goodwill

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, and b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair value of identifiable net assets. If the fair value of identifiable net assets exceeds the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. Goodwill is carried at cost less accumulated impairment losses.

#### Deferred tax asset

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

### **SIGNIFICANT MANAGEMENT ESTIMATES IN APPLYING ACCOUNTING POLICIES**

The following are significant management estimates in applying the accounting policies of the Group that have the most significant effect on the financial statements.

#### Revalued freehold property

The freehold property is stated at fair value. A full revaluation exercise was carried out in May 2017. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

### **New standards, amendments and interpretations**

No new standards, amendments or interpretations effective for the first time in the year ended 31 December 2018 have had a material impact on Group or parent Company. The following new standards have been adopted

- IFRS 9 Financial Instruments (effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)

IFRS 9 'Financial instruments' effective for periods beginning on or after 1 January 2018. The standard removed multiple classification and measurement models for financial assets requirement by IAS 39 and introduces a model that has only three classification categories: fair value through other comprehensive income, fair value through the income statement and amortised cost. Classification is driven by the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting and presentation for financial liabilities and for derecognising financial instruments is relocated from IAS 39. IFRS 9 introduces additional changes relating to financial liabilities. IFRS 9 adds new requirements to address the impairment of financial assets and hedge accounting.

IFRS 15 'Revenue from contracts with customers'; effective for periods beginning on or after 1 January 2018. The standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. This is a converged standard on revenue recognition which replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations. The Group has assessed the impact of the new standard has not resulted in material changes to the Group's operations.

### **Standards in issue not yet effective**

At the date of authorisation of these financial statements, the following amendments and interpretations to existing accounting standards have been published but are not yet effective.

- IFRS 16 Leases (effective date 1 January 2019)

Management anticipate that the above pronouncements will be adopted in the Group's accounting policies for the first period after the effective date but will have no material impact on the Group.

IFRS 16 'Leases'; effective for periods beginning on or after January 1, 2019. Under IFRS 16, a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new standard eliminates the classification of leases by lessees as either finance leases or operating leases and instead introduces an integrated lessee accounting model. Applying this model, lessees are required to recognise a lease liability reflecting the obligation to make future lease payments and a 'right-of-use' asset for virtually all lease contracts.

IFRS 16 includes an optional exemption for certain short-term leases and leases of low-value assets. The Group has assessed the impact of the new standard. The results are expected to be similar to the obligations shown in Note 13.

### **Alternative performance measures (APM)**

In the reporting of financial information, the Directors have adopted the APM 'EBITDA profit from underlying operations' (APMs were previously termed 'Non-GAAP measures'), which is not defined or specified under International Financial Reporting Standards (IFRS).

This measure is not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

### **Purpose**

The Directors believe that this APM assists in providing additional useful information on the underlying trends, performance and position of the Group. This APM is also used to enhance the comparability of information between reporting periods and business units, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and this remains consistent with the prior year.

## Notes to the Financial Statements continued

The key APM that the Group has focused on is as follows:

EBITDA profit from underlying operations': This is the headline measure used by management to measure the Group's performance and is based on operating profit before the impact of financing costs, share based payment charges, depreciation, amortisation, impairment charges and exceptional items. Exceptional items relate to certain costs that derive from events or transactions that fall within the normal activities of the Group but which, individually or, if of a similar type, in aggregate, are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.

### 3. Segment reporting

#### Operating segments

The Board considers the Group on a Business Unit basis. Reports by Business Unit are used by the chief decision-makers in the Group. The Business Units operating during the year are the three operating divisions; Managed Services Aviation, Technology and Managed Services Guarding (on the acquisition of Keyguard). This split of business segments is based on the products and services each offer.

| 2018  | Managed Services Aviation | Technology   | Group and Central | Managed Services Guarding | Managed Services Sovereign Ferries | Group Total    |
|---|---------------------------|--------------|-------------------|---------------------------|------------------------------------|----------------|
|   | £'000                     | £'000        | £'000             | £'000                     | £'000                              | £'000          |
| Supply of products                          | -                         | 1,216        | -                 | -                         | -                                  | 1,216          |
| Supply and installation contracts           | -                         | 1,420        | -                 | -                         | -                                  | 1,420          |
| Maintenance and services                    | 3,339                     | 342          | -                 | 132                       | -                                  | 3,813          |
| Training courses                            | 219                       | -            | -                 | -                         | -                                  | 219            |
| <b>Revenue</b>                              | <b>3,558</b>              | <b>2,978</b> | <b>-</b>          | <b>132</b>                | <b>-</b>                           | <b>6,668</b>   |
| Segmental underlying EBITDA                 | 791                       | (272)        | (911)             | 14                        | -                                  | (378)          |
| Share option expense                        | -                         | -            | (281)             | -                         | -                                  | (281)          |
| Exceptional items (note 4)                  | (380)                     | -            | -                 | -                         | (21)                               | (401)          |
| Revision of impairments (Note 29)           | -                         | -            | -                 | -                         | 170                                | 170            |
| Depreciation & amortisation                 | (132)                     | (11)         | -                 | (5)                       | -                                  | (148)          |
| <b>Segment operating result</b>             | <b>279</b>                | <b>(283)</b> | <b>(1,192)</b>    | <b>9</b>                  | <b>149</b>                         | <b>(1,038)</b> |
| Finance cost                                | -                         | 1            | (330)             | -                         | -                                  | (329)          |
| Income tax credit                           | 492                       | 380          | -                 | -                         | -                                  | 872            |
| <b>Profit/(Loss) for the financial year</b> | <b>771</b>                | <b>98</b>    | <b>(1,522)</b>    | <b>9</b>                  | <b>149</b>                         | <b>(495)</b>   |
| Segment assets                              | 4,286                     | 1,960        | 1,854             | 363                       | 170                                | 8,633          |
| Segment liabilities                         | 228                       | 3,336        | 3,238             | 534                       | 151                                | 7,487          |
| Capital expenditure                         | 23                        | -            | 35                | -                         | -                                  | 58             |

For the year ended 31 December 2018 the decision has been taken to no longer apportion central overheads in the segmental reporting.

| 2017  | Managed Services Aviation | Technology   | Group and Central | Managed Services Sovereign Ferries | Group Total    |
|---|---------------------------|--------------|-------------------|------------------------------------|----------------|
|   | £'000                     | £'000        | £'000             | £'000                              | £'000          |
| Supply of products                          | -                         | 1,470        | -                 | -                                  | 1,470          |
| Supply and installation contracts           | -                         | 36           | -                 | -                                  | 36             |
| Maintenance and services                    | 3,386                     | 264          | -                 | -                                  | 3,650          |
| Training courses                            | 174                       | -            | -                 | -                                  | 174            |
| Ferry ticket sales                          | -                         | -            | -                 | 66                                 | 66             |
| <b>Revenue</b>                              | <b>3,560</b>              | <b>1,770</b> | <b>-</b>          | <b>66</b>                          | <b>5,396</b>   |
| Segmental underlying EBITDA                 | 1,195                     | (44)         | (1,714)           | (671)                              | (1,234)        |
| Share option expense                        | -                         | -            | (63)              | -                                  | (63)           |
| Exceptional items (note 4)                  | (603)                     | -            | (50)              | (335)                              | (988)          |
| Impairments                                 | -                         | -            | -                 | (2,491)                            | (2,491)        |
| Depreciation & amortisation                 | (100)                     | (15)         | (55)              | (144)                              | (314)          |
| <b>Segment operating result</b>             | <b>492</b>                | <b>(59)</b>  | <b>(1,882)</b>    | <b>(3,641)</b>                     | <b>(5,090)</b> |
| Finance cost                                | -                         | -            | (630)             | -                                  | (630)          |
| <b>Profit/(Loss) for the financial year</b> | <b>492</b>                | <b>(59)</b>  | <b>(2,512)</b>    | <b>(3,641)</b>                     | <b>(5,720)</b> |
| Segment assets                              | 1,429                     | 360          | 1,811             | 2                                  | 3,602          |
| Segment liabilities                         | 368                       | 359          | 2,553             | 238                                | 3,518          |
| Capital expenditure                         | 23                        | 3            | 96                | 4                                  | 126            |

### Geographical areas

The Group's international business is conducted on a global scale, with agents present in all major continents. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services.

|                         | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------|---------------|---------------|
| United Kingdom & Europe | 171           | 919           |
| Africa                  | 3,884         | 3,779         |
| Middle East             | 1,878         | 152           |
| Rest of the World       | 735           | 546           |
|                         | <b>6,668</b>  | <b>5,396</b>  |

Some of the Group's assets are located outside the United Kingdom where they are being put to operational use on specific contracts. At 31 December 2018 fixed assets with a net book value of £3,635,000 (2017: £3,794,000) recorded in the appropriate subsidiary financial statements were located in Africa.

### Information about major customers

Included in revenues arising from the Technology Solutions in the Middle East are revenues of approximately £1,414,000 (2017: £ Nil) which arose from a sale to the group's largest customer in 2018. Approximately 50% (2017: 60%) of the Group's revenues are derived from the contract with the Sierra Leone airport authority. This contract contains many individual customers. No other single customer contributed more than 10% of the Group revenue in either 2018 or 2017.



## Notes to the Financial Statements continued

### 4. Exceptional Items

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Middle East airport pre-contract costs | 294           | 603           |
| Ferry closure costs                    | 21            | 335           |
| Other                                  | 86            | 50            |
| <b>Total</b>                           | <b>401</b>    | <b>988</b>    |

### 5. Finance costs

|   | Group         |               |
|---|---------------|---------------|
|   | 2018<br>£'000 | 2017<br>£'000 |
| Interest received                                     | 1             | -             |
| Interest payable on bank and other borrowings         | (37)          | (44)          |
| Interest expenses on convertible loan notes (Note 16) | (293)         | (586)         |
| <b>Total finance costs</b>                            | <b>(329)</b>  | <b>(630)</b>  |

### 6. Loss from operations

The following items have been included in arriving at the loss for the financial year

|   | Group         |               |
|---|---------------|---------------|
|   | 2018<br>£'000 | 2017<br>£'000 |
| Staff costs (see Note 8)                      | 3,434         | 2,367         |
| Depreciation of property, plant and equipment | 115           | 283           |
| Amortisation of intangible assets             | 33            | 31            |
| Operating lease rentals payable               |               |               |
| Property                                      | 62            | 83            |
| Plant and machinery                           | -             | 3             |
| Other   | 4             | 26            |
| Foreign exchange loss                         | 3             | 102           |

#### Auditor's remuneration

Amounts payable in both years relate to BDO LLP in respect of audit and other services. The local Audit in Sierra Leone is performed by Moore Stephens Sierra Leone

|  | Group         |               |
|--|---------------|---------------|
|  | 2018<br>£'000 | 2017<br>£'000 |
| <b>Audit services</b>  |               |               |
| Statutory audit of parent and consolidated financial statements        | 30            | 40            |
| Review of interim results  | 2             | -             |
| Statutory audit of subsidiaries of the company pursuant to legislation | 21            | 30            |
| Corporation tax compliance services                                    | 12            | 14            |
| Other services not included in the above                               | -             | 8             |
| Local audit in Sierra Leone  | 17            | 21            |
| <b>Total fees</b>  | <b>82</b>     | <b>113</b>    |

## 7. Taxation

| Analysis of charge in year   | Group          |                |
|--|----------------|----------------|
|  | 2018<br>£'000  | 2017<br>£'000  |
| <b>Current year</b>  |                |                |
| UK Corporation tax on profits in the year  | -              | -              |
| Foreign corporation tax on profits in the year   | 17             | -              |
| <b>Deferred Tax</b>  |                |                |
| Utilisation of losses  | (889)          | -              |
|  | (872)          | -              |
| <b>Reconciliation of effective tax rate</b>  |                |                |
| <b>Loss on ordinary activities before tax</b>  | <b>(1,367)</b> | <b>(5,720)</b> |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%) | (260)          | (1,101)        |
| Effects of:  |                |                |
| Expenses not deductible for tax purposes   | 20             | 973            |
| Capital allowances less than depreciation  | (199)          | (105)          |
| Other short-term timing differences  | 2              | -              |
| Release of losses  | (889)          | -              |
| Unrecognised losses carried forward  | 437            | 233            |
| Difference in deferred tax rates   | 17             | -              |
| <b>Total tax - credit</b>  | <b>(872)</b>   | <b>-</b>       |

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2017) to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## 8. Employee costs

Employee costs for the Group during the year

|                       | Group         |               |
|-----------------------|---------------|---------------|
|                       | 2018<br>£'000 | 2017<br>£'000 |
| Wages and salaries    | 2,943         | 2,117         |
| Social security costs | 210           | 187           |
|                       | <b>3,153</b>  | <b>2,304</b>  |
| Share based payments  | 281           | 63            |
|                       | <b>3,434</b>  | <b>2,367</b>  |

The Group operates a stakeholder pension scheme. The Group made pension contributions totalling £21,000 during the year (2017: £7,000), and pension contributions totalling £4,000 were outstanding at the year-end (2017: £1,000).

Details of the Directors' remuneration are included in the Remuneration Committee Report. Key management within the business are considered to be the Board of Directors. The total Directors' remuneration during the year was £922,000 (2017: £623,000) and the highest paid director received remuneration totalling £310,000 (2017: £192,000).

8. Employee costs (continued)

Average monthly number of people (including Executive Directors) employed

| Group          | 2018 Number           |                         |       | 2017 Number           |                         |       |
|----------------|-----------------------|-------------------------|-------|-----------------------|-------------------------|-------|
|                | Continuing Operations | Discontinued Operations | Total | Continuing Operations | Discontinued Operations | Total |
| By function:   |                       |                         |       |                       |                         |       |
| Sales          | 3                     | -                       | 3     | 3                     | -                       | 3     |
| Operations     | 199                   | 3                       | 202   | 220                   | 32                      | 252   |
| Administration | 23                    | -                       | 23    | 23                    | -                       | 23    |
| Management     | 5                     | -                       | 5     | 5                     | -                       | 5     |
|                | 230                   | 3                       | 233   | 251                   | 32                      | 283   |

9. Profit / (Loss) per share

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Only those outstanding options that have an exercise price below the average market share price in the year have been included.

The weighted average number of ordinary shares is calculated as follows:

|   | 2018<br>'000   | 2017<br>'000   |
|---|----------------|----------------|
| <b>Issued ordinary shares</b>                                       |                |                |
| Start of year   | 120,743        | 87,107         |
| Effect of shares issued during the year                             | 5,409          | 22,087         |
| <b>Weighted average basic and diluted number of shares for year</b> | <b>126,152</b> | <b>109,194</b> |
| <b>Earnings</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Loss and total Comprehensive Expense (Continuing)                   | (644)          | (2,051)        |
| Profit / (loss) and total Comprehensive Expense (Discontinued)      | (149)          | (3,699)        |
| <b>Loss and total Comprehensive Expense Total</b>                   | <b>(495)</b>   | <b>(5,720)</b> |

For the year ended 31 December 2018 and 2017 the issue of additional shares on exercise of outstanding share options, convertible loans and warrants would decrease the basic loss per share and there is therefore no dilutive effect. Loss per share was 0.40p (2017 Loss 5.60p Restated: Loss 5.24p).

10. Goodwill

| Group                                 | Restated      |               | Original      |
|---------------------------------------|---------------|---------------|---------------|
|                                       | 2018<br>£'000 | 2017<br>£'000 | 2017<br>£'000 |
| Gross carrying amount at 1 January    | 1,160         | 1,160         | 1,160         |
| Acquisition in year (Note 30)         | 199           | -             | -             |
| Gross carrying amount at 31 December  | 1,359         | 1,160         | 1,160         |
| Accumulated impairment at 1 January   | (763)         | (763)         | (763)         |
| Impairment charge for the year        | -             | -             | (397)         |
| Accumulated impairment at 31 December | (763)         | (763)         | (1,160)       |
| <b>Carrying amount at 1 January</b>   | <b>397</b>    | <b>397</b>    | <b>397</b>    |
| <b>Carrying amount at 31 December</b> | <b>596</b>    | <b>397</b>    | <b>-</b>      |

The entire brought forward goodwill balance relates to the acquisition of Longmoor Security Limited (Longmoor). Last year the directors reviewed the expected future cash flows from this asset and concluded that these cash flows no longer support the carrying value. However, the assessment last year looked solely at the company rather than considering the cash flows purchased in the Longmoor acquisition which now appear in the wider group. The directors have concluded that last year's write down was an error and that the carrying value of Longmoor at £397,000 is fairly stated. The goodwill CGU has been attributed to guarding CGU.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may be impaired. The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions are discount rate (5%) future revenues (assumed as flat, but evidence suggests strong growth) derived from the most recent financial budgets approved by management.

## 11. Other intangible assets

|   | Group<br>Website and Software<br>£'000 | Company<br>Website and Software<br>£'000 |
|---|--|--|
| <b>2018</b>                               |  |  |
| Cost                                      |  |  |
| At 1 January 2018                         | 193                                    | 224                                      |
| Disposals                                 | (12)                                   | (12)                                     |
| Adjustment                                | 40                                     | (1)                                      |
| Transfer                                  | 4                                      | 4  |
| <b>At 31 December 2018</b>                | <b>225</b>                             | <b>215</b>                               |
| Accumulated amortisation and impairment   |  |  |
| At 1 January 2018                         | 64                                     | 96                                       |
| Charge for the year                       | 33                                     | 33                                       |
| Disposals                                 | (12)                                   | (12)                                     |
| Adjustment                                | 40                                     | (2)                                      |
| <b>At 31 December 2018</b>                | <b>125</b>                             | <b>115</b>                               |
| <b>Net book value at 31 December 2018</b> | <b>100</b>                             | <b>100</b>                               |
| <b>2017</b>                               |  |  |
| Cost                                      |  |  |
| At 1 January 2017                         | 212                                    | 168                                      |
| Additions                                 | 56                                     | 56                                       |
| Disposals                                 | (43)                                   | -  |
| Transfers to assets held for sale         | (32)                                   | -  |
| <b>At 31 December 2017</b>                | <b>193</b>                             | <b>224</b>                               |
| Accumulated amortisation and impairment   |  |  |
| At 1 January 2017                         | 80                                     | 65                                       |
| Charge for the year                       | 31                                     | 31                                       |
| Disposals                                 | (40)                                   | -  |
| Impairment of ferry operation             | 25                                     | -  |
| Transfer to assets held for sale          | (32)                                   | -  |
| <b>At 31 December 2017</b>                | <b>64</b>                              | <b>96</b>                                |
| <b>Net book value at 31 December 2017</b> | <b>129</b>                             | <b>128</b>                               |

The impairment charge recognised during 2017 related to the assets in the Ferry Operations in Sierra Leone which were written down to nil at the 2017 year-end date.

## 12. Property, plant and equipment

| Group  | Freehold property | Plant and equipment | Office equipment, fixtures and fittings | Motor vehicles | Total        |
|--|-------------------|---------------------|---|----------------|--------------|
|  | £'000             | £'000               | £'000                                   | £'000          | £'000        |
| <b>2018</b>                                    |                   |                     |   |                |              |
| <b>Cost or valuation</b>                       |                   |                     |   |                |              |
| At 1 January 2018                              | 1,014             | 727                 | 1,123                                   | 99             | 2,963        |
| Additions                                      | 17                | -                   | 41                                      | -              | 58           |
| Disposals                                      | -                 | (79)                | (102)                                   | (20)           | (201)        |
| On Acquisition                                 | -                 | -                   | -                                       | 80             | 80           |
| Transfer                                       | -                 | (177)               | 132                                     | -              | (45)         |
| <b>At 31 December 2018</b>                     | <b>1,031</b>      | <b>471</b>          | <b>1,194</b>                            | <b>159</b>     | <b>2,855</b> |
| <b>Accumulated depreciation and impairment</b> |                   |                     |   |                |              |
| At 1 January 2018                              | -                 | 434                 | 488                                     | 89             | 1,011        |
| Charge for the year                            | 17                | 31                  | 57                                      | 10             | 115          |
| Disposals                                      | -                 | (79)                | (102)                                   | (20)           | (201)        |
| Transfer                                       | -                 | (150)               | 110                                     | -              | (40)         |
| On Acquisition                                 | -                 | -                   | -                                       | 72             | 72           |
| <b>At 31 December 2018</b>                     | <b>17</b>         | <b>236</b>          | <b>553</b>                              | <b>151</b>     | <b>957</b>   |
| <b>Net book value at 31 December 2018</b>      | <b>1,014</b>      | <b>235</b>          | <b>641</b>                              | <b>8</b>       | <b>1,898</b> |
| <b>2017</b>                                    |                   |                     |   |                |              |
| <b>Cost or valuation</b>                       |                   |                     |   |                |              |
| At 1 January 2017                              | 1,014             | 3,407               | 1,424                                   | 99             | 5,944        |
| Additions                                      | -                 | 4                   | 69                                      | -              | 73           |
| Disposals                                      | -                 | (8)                 | (226)                                   | -              | (234)        |
| Transfers                                      | -                 | 42                  | (42)                                    | -              | -            |
| Transfer to assets held for sale               | -                 | (2,718)             | (102)                                   | -              | (2,820)      |
| <b>At 31 December 2017</b>                     | <b>1,014</b>      | <b>727</b>          | <b>1,123</b>                            | <b>99</b>      | <b>2,963</b> |
| <b>Accumulated depreciation and impairment</b> |                   |                     |   |                |              |
| At 1 January 2018                              | -                 | 579                 | 667                                     | 63             | 1,309        |
| Charge for the year                            | -                 | 180                 | 77                                      | 26             | 283          |
| Disposals                                      | -                 | (7)                 | (220)                                   | -              | (227)        |
| Impairment                                     | -                 | 2,385               | 81                                      | -              | 2,466        |
| Transfers                                      | -                 | 15                  | (15)                                    | -              | -            |
| Transfer to assets held for sale               | -                 | (2,718)             | (102)                                   | -              | (2,820)      |
| <b>At 31 December 2017</b>                     | <b>-</b>          | <b>434</b>          | <b>488</b>                              | <b>89</b>      | <b>1011</b>  |
| <b>Net book value at 31 December 2017</b>      | <b>1,014</b>      | <b>293</b>          | <b>635</b>                              | <b>10</b>      | <b>1,952</b> |

The impairment charge in recognised during 2017 relates to the assets related to the Ferry Operations in Sierra Leone which were written down to nil at 30 September 2017 and transferred to assets held for sale.



| Company                                   | Freehold property | Plant and equipment | Office equipment fixtures and fittings | Total        |
|---|-------------------|---------------------|--|--------------|
|   | £'000             | £'000               | £'000                                  | £'000        |
| <b>2018</b>                               |                   |                     |  |              |
| Cost or valuation                         |                   |                     |  |              |
| At 1 January 2018                         | 1,014             | 14                  | 216                                    | 1,244        |
| Additions                                 | 17                | 1                   | 15                                     | 33           |
| Disposals                                 | -                 | -                   | (38)                                   | (38)         |
| Adjustments                               | -                 | -                   | (8)                                    | (8)          |
| <b>At 31 December 2018</b>                | <b>1,031</b>      | <b>15</b>           | <b>185</b>                             | <b>1,231</b> |
| Accumulated depreciation                  |                   |                     |  |              |
| At 1 January 2018                         | -                 | 13                  | 203                                    | 216          |
| Charge for the year                       | 17                | 1                   | 6                                      | 24           |
| Disposals                                 | -                 | -                   | (38)                                   | (38)         |
| Adjustments                               | -                 | 1                   | 3                                      | 4            |
| <b>At 31 December 2018</b>                | <b>17</b>         | <b>15</b>           | <b>174</b>                             | <b>206</b>   |
| <b>Net book value at 31 December 2018</b> | <b>1,014</b>      | <b>-</b>            | <b>11</b>                              | <b>1,025</b> |
| <b>2017</b>                               |                   |                     |  |              |
| Cost or valuation                         |                   |                     |  |              |
| At 1 January 2017                         | 1,014             | 20                  | 247                                    | 1,281        |
| Additions                                 | -                 | -                   | 9                                      | 9            |
| Disposals                                 | -                 | (6)                 | (40)                                   | (46)         |
| <b>At 31 December 2017</b>                | <b>1,014</b>      | <b>14</b>           | <b>216</b>                             | <b>1,244</b> |
| Accumulated depreciation                  |                   |                     |  |              |
| At 1 January 2017                         | -                 | 17                  | 233                                    | 250          |
| Charge for the year                       | -                 | 2                   | 10                                     | 12           |
| Disposals                                 | -                 | (6)                 | (40)                                   | (46)         |
| <b>At 31 December 2017</b>                | <b>-</b>          | <b>13</b>           | <b>203</b>                             | <b>216</b>   |
| <b>Net book value at 31 December 2017</b> | <b>1,014</b>      | <b>1</b>            | <b>13</b>                              | <b>1,028</b> |

The freehold property was valued professionally by Brown and Co, Chartered Surveyors, on 16 May 2017, which provided a valuation of £1,014,000. The valuation was made on the basis of recent market transactions on arm's length terms and on an alternative use basis. The Revaluation Reserve is not available for distribution to shareholders. The directors are of the opinion that the valuation has not moved materially since the last valuation was performed. The valuation was not materially different to the value the asset is recorded at the balance sheet date.

No depreciation has been charged on the freehold property only additions have been depreciated. The difference between the net book value of the freehold property if this depreciation, at 2%, had been charged as shown in the financial statements is not materially different to the value the asset is recorded at the balance sheet date.

## Notes to the Financial Statements continued

### 12. Property, plant and equipment (continued)

The freehold property is stated at valuation, the comparable historic cost and depreciation values are as follows:

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Historical cost                         | 714           | 697           |
| <b>Accumulated depreciation</b>         |               |               |
| At 1 January                            | 265           | 251           |
| Charge for the year                     | 14            | 14            |
| <b>At 31 December</b>                   | <b>279</b>    | <b>265</b>    |
| <b>Net book value as at 31 December</b> | <b>435</b>    | <b>432</b>    |

### 13. Operating lease commitments

The Group and the Company lease various office equipment and motor vehicles under non-cancellable operating lease agreements. The total commitments under these leases can be analysed as follows:

|  | Group Property<br>£'000 | Group Other<br>£'000 | Group Total<br>£'000 | Company Other<br>£'000 |
|--|-------------------------|----------------------|----------------------|------------------------|
| <b>As at 31 December 2018</b>          |                         |                      |                      |                        |
| Within one year                        | 61                      | 22                   | 83                   | 6                      |
| In the second to fifth years inclusive | 61                      | 115                  | 176                  | 78                     |
| <b>Total</b>                           | <b>122</b>              | <b>137</b>           | <b>259</b>           | <b>84</b>              |
| <b>As at 31 December 2017</b>          |                         |                      |                      |                        |
| Within one year                        | 57                      | 14                   | 71                   | 3                      |
| In the second to fifth years inclusive | 42                      | 15                   | 57                   | 1                      |
| <b>Total</b>                           | <b>99</b>               | <b>29</b>            | <b>128</b>           | <b>4</b>               |

Remaining lease terms range from 4 months to 4 years.

|  | Group<br>2018<br>£'000 | Group<br>2017<br>£'000 | Company<br>2018<br>£'000 | Company<br>2017<br>£'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Minimum lease payments under operating leases recognised as an expense in the year | 66                     | 113                    | 1                        | 8                        |

### 14. Investment in subsidiaries

| Company                       | 2018<br>£'000  | 2017<br>£'000  |
|-------------------------------|----------------|----------------|
| <b>Cost</b>                   |                |                |
| At 1 January                  | 16,458         | 16,458         |
| Movement in Year              | (622)          | -              |
| <b>At 31 December</b>         | <b>15,836</b>  | <b>16,458</b>  |
| <b>Accumulated impairment</b> |                |                |
| At 1 January                  | (9,342)        | (3,406)        |
| Movement in Year              | 412            | (5,936)        |
| <b>At 31 December</b>         | <b>(8,930)</b> | <b>(9,342)</b> |
|                               | <b>6,906</b>   | <b>7,116</b>   |

Investments include long term loans advanced to subsidiaries, which have been partially settled in the year.

## 15. Subsidiary undertakings

The subsidiary undertakings at 31 December 2018 were as follows:

| Name  | Country of incorporation | Principal activity   | % of nominal ordinary share capital and voting rights held |
|---|--------------------------|--|--|
| Westminster International Limited   | England                  | Advanced security technology, (Technology division)  | 100  |
| Longmoor Security Limited   | England                  | Close protection training and provision of security services (Managed Services)  | 100  |
| Westminster Aviation Security Services Limited  | England                  | Managed services of airport security under long term contracts. Managed Services division  | 100  |
| Sovereign Ferries Limited   | England                  | Marine Transport West Africa   | 100  |
| Westminster Operating Limited   | England                  | Special purpose vehicle which exists solely for listing the 2013 CLN on the CISX. Year end 31 October. Only transactions are intra group | 100  |
| Keyguard U.K Limited*   | England                  | Security and risk management including manned guarding, mobile patrols, risk management and K9 services.                                 | 100  |
| Longmoor (SL) Limited   | Sierra Leone             | Security and terminal guarding   | 100  |
| Facilities Operations Management Limited  | Sierra Leone             | Ferry and other infrastructure management  | 90   |
| Westminster Sierra Leone Limited  | Sierra Leone             | Local infrastructure for airport operations  | 49   |
| Westminster Group GMBH  | Germany                  | Dormant  | 100  |
| Westminster Sicherheit GMBH   | Germany                  | Managed Services infrastructure  | 85   |
| Euro Ops SARL**   | France                   | Managed Services infrastructure  | 100  |
| Westminster Managed Services Limited (formerly Westminster Facilities Management Limited) | England                  | Dormant  | 100  |
| CTAC Limited  | England                  | Dormant  | 100  |
| Westminster Aviation Security Services (ME) Limited                                       | England                  | Dormant  | 100  |
| Westminster JV Holdings Limited   | England                  | Dormant (liquidated February 2018)   | 100  |
| Travel Safety and Security Limited  | England                  | Dormant (liquidated February 2018)   | 100  |

Subsidiary company registered addresses:

|              |   |
|--------------|---|
| England      | Westminster House, Blacklocks Hill, Banbury, Oxfordshire, OX17 2BS, United Kingdom. |
| Sierra Leone | ATU Building, Government Wharf, Freetown, Sierra Leone.                             |
| Germany      | Chiemseestrasse 25, 83233 Bernau am Chiemsee, Germany.                              |
| France       | 17 Route de Sundhoffen, 68280 Andolsheim, France.                                   |

\* Keyguard U.K Limited refer Note 30

\*\* Euro Ops SARL was acquired on 1 May 2019

## 16. Financial instruments

### Categories of financial assets and liabilities

The carrying amounts presented in the Consolidated and Company statement of financial position relate to the following categories of assets and liabilities:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| <b>Financial assets</b>                          |               |               |               |               |
| Trade and other receivables (note 19)            | 4,556         | 644           | -             | 12            |
| Cash and cash equivalents (note 20)              | 290           | 392           | 29            | 78            |
|  | <b>4,846</b>  | <b>1,036</b>  | <b>29</b>     | <b>90</b>     |
| <b>Financial liabilities</b>                     |               |               |               |               |
| Financial liabilities measured at amortised cost |               |               |               |               |
| Borrowings (note 23)                             | 2,387         | 2,184         | 171           | -             |
| Trade and other payables (note 24)               | 2,382         | 1,040         | 166           | 231           |
| Liabilities held for sale (note 29)              | 151           | 238           | -             | -             |
|  | <b>4,920</b>  | <b>3,462</b>  | <b>337</b>    | <b>231</b>    |

See note 2 for a description of the accounting policies for each category of financial instruments. The fair values are presented in the related notes. A description of the Group's risk management and objectives for financial instruments is given in note 27.

### Convertible Loan Notes

The Group had the following convertible loan notes outstanding during the year the key details of which are set out below:

|                   | Secured Convertible Loan Notes ("CLN")  |
|-------------------|---|
| Amount            | £2.245m   |
| Conversion Price  | 25p until 22 May 2019, 15p per share until 30 September 2019, 12.5p per share from 1 October 2019 until 31 December 2019 and thereafter 10p   |
| Security          | Secured fixed and floating  |
| Redemption Date   | 30 June 2020  |
| Management Fee    | £25,000 per annum   |
| Coupon            | 12 % until 31 March 2019, then 15% paid quarterly in arrears. Listed on the CISX  |
| Conversion Detail | Company can force conversion if the share price is > 65p for 15 working days after 19 June 2016. Company can make repayment without penalty if the share price > 42p for 15 working days after 19 June 2016. These conditions were not met in the year. |

|                                    | 2018<br>CULN<br>£'000 | 2018<br>CLN<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>CULN<br>£'000 | 2017<br>CLN<br>£'000 | 2017<br>Total<br>£'000 |
|------------------------------------|-----------------------|----------------------|------------------------|-----------------------|----------------------|------------------------|
| At 1 January                       | -                     | 2,184                | 2,184                  | 952                   | 2,071                | 3,023                  |
| Fair value of new loans issued     | 165                   | -                    | 165                    | -                     | -                    | -                      |
| Amortised finance cost             | 8                     | 351                  | 359                    | 248                   | 338                  | 586                    |
| Interest paid                      | (2)                   | (253)                | (255)                  | -                     | (225)                | (225)                  |
| Fair value adjustment on extension | -                     | (66)                 | (66)                   | -                     | -                    | -                      |
| Converted in the year              | -                     | -                    | -                      | (1,200)               | -                    | (1,200)                |
| <b>At 31 December</b>              | <b>171</b>            | <b>2,216</b>         | <b>2,387</b>           | <b>-</b>              | <b>2,184</b>         | <b>2,184</b>           |

Analysis of movement in debt at principal value (excluding IFRS impacts), memorandum only:

|                       | 2018<br>CULN<br>£'000 | 2018<br>CLN<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>CULN<br>£'000 | 2017<br>CLN<br>£'000 | 2017<br>Total<br>£'000 |
|-----------------------|-----------------------|----------------------|------------------------|-----------------------|----------------------|------------------------|
| At 1 January          | -                     | 2,245                | 2,245                  | 1,200                 | 2,245                | 3,445                  |
| New issue             | 171                   | -                    | 171                    | -                     | -                    | -                      |
| Conversion            | -                     | -                    | -                      | (1,200)               | -                    | (1,200)                |
| <b>At 31 December</b> | <b>171</b>            | <b>2,245</b>         | <b>2,416</b>           | <b>-</b>              | <b>2,245</b>         | <b>2,245</b>           |

The Convertible Loan Notes have been separated into two components, the Host Debt Instrument and the Embedded Derivative on initial recognition. The value of the Host Debt Instrument will increase to the principal sum amount by the date of maturity. The effective interest cost of the Notes is the sum of that increasing value in the period and the interest paid to Noteholders. The Derivative element will vary in value according to the market price of the underlying Ordinary Shares and the period remaining for conversion amongst other factors. The value of the embedded derivative was not material at inception and at the end of the year and is included in the fair value of the overall instrument for disclosure.

Secured convertible loan notes (CLN) are compound financial instruments that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in fair value.

On 24 May 2018 the Company extended the term of the CLN resulting in an increase of coupon to 12% from 24 May 2018 and conversion price decreased from 35p to 25p.

Further information on the CLN extension in 2019 is included in Note 32.

Unlike convertible unsecured loan notes (CULN), this instrument is determined to have a liability and equity component. The liability component is initially recognised at fair value of a similar liability without a conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. It is not subsequently remeasured. The liability component is measured at amortised cost using the effective interest method.

During the year, the Group raised \$250,000 by way of issue of CULN with a maturity date of 31 Date 2021 and an annual coupon of 5%.

## 17. Deferred tax assets and liabilities

Deferred tax assets and liabilities have been calculated using the expected future tax rate of 17% (2017: 17%). Any changes in the future would affect these amounts proportionately.

The Group has recognised a Deferred Tax Asset of £889,000 (2017: Nil) due to budgeted future profits of the business beyond 2019.



## Notes to the Financial Statements continued

### 18. Inventories

|                | Group         |               | Company       |               |
|----------------|---------------|---------------|---------------|---------------|
|                | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Finished goods | 74            | 39            | -             | -             |
|                | 74            | 39            | -             | -             |

The cost of inventories recognised as an expense within cost of sales amounted to £1,309,000 (2017: £1,182,000). No reversal of previous write-downs was recognised as a reduction of expense in 2018 or 2017.

### 19. Trade and other receivables

|                                      | Group         |               | Company       |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Amounts falling due within one year: |               |               |               |               |
| Trade receivables, gross             | 701           | 557           | 2             | -             |
| Allowance for credit losses          | (127)         | (52)          | (2)           | -             |
| <b>Trade receivables</b>             | <b>574</b>    | <b>505</b>    | <b>-</b>      | <b>-</b>      |
| Amounts recoverable on contracts     | 1,909         | 116           | -             | -             |
| Other receivables                    | 2,073         | 23            | -             | 12            |
| <b>Financial assets</b>              | <b>4,556</b>  | <b>644</b>    | <b>-</b>      | <b>12</b>     |
| Prepayments                          | 60            | 49            | 27            | 30            |
| <b>Non-financial assets</b>          | <b>60</b>     | <b>49</b>     | <b>27</b>     | <b>30</b>     |
| <b>Trade and other receivables</b>   | <b>4,616</b>  | <b>693</b>    | <b>27</b>     | <b>42</b>     |

The average credit period taken on sale of goods in 2018 was 41 days (2017: 36 days). An allowance has been made for estimated credit losses of £127,000 (2017: £52,000). This allowance has been based on the knowledge of the financial circumstances of individual receivables at the reporting date.

The following table provides an analysis of trade and other receivables at 31 December. The Group believes that the balances are ultimately recoverable based upon a review of past payment history and the current financial status of the customers.

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Current                                   | 306           | 346           |
| Not more than 3 months                    | 219           | 208           |
| More than 3 months but less than 6 months | 176           | 3             |
|   | 701           | 557           |
| <b>Allowances for Credit Losses</b>       |               |               |
| Opening balance at 1 January              | 52            | 75            |
| Net amounts written off                   | 75            | (36)          |
| Impairment loss                           | -             | 13            |
| <b>Closing balance at 31 December</b>     | <b>127</b>    | <b>52</b>     |

There are no significant credit risks from financial assets that are neither past due nor impaired. At 31 December 2018 £3,708,000 (2017: £510,000) of trade receivables were denominated in US dollars, £nil (2017: £nil) in Euros, and £975,000 (2017: £47,000) in Sterling. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

## 20. Cash and cash equivalents

|                                  | Group         |               | Company       |               |
|----------------------------------|---------------|---------------|---------------|---------------|
|                                  | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Cash at bank and in hand         | 292           | 392           | 29            | 78            |
| Bank overdraft                   | (2)           | -             | -             | -             |
| <b>Cash and cash equivalents</b> | <b>290</b>    | <b>392</b>    | <b>29</b>     | <b>78</b>     |

All the bank accounts of the Group are set against each other where a right of offset exists in establishing the cash position of the Group. The bank overdrafts do not therefore represent bank borrowings, which is why they are presented as above for the purposes of the cash flow statement and the statement of financial position.

## 21. Called up share capital

Group and Company

The total amount of issued and fully paid shares is as follows:

| Ordinary Share Capital                            | 2018               |               | 2017               |               |
|---|--------------------|---------------|--------------------|---------------|
|   | Number             | £'000         | Number             | £'000         |
| At 1 January                                      | 120,743,420        | 12,074        | 87,107,903         | 8,711         |
| Arising on conversion of Convertible Loan Notes   | -                  | -             | 10,669,227         | 1,067         |
| Arising on exercise of Share Options and Warrants | 875,000            | 88            | 55,000             | 5             |
| Shares issued to settle an annual broker fee      | -                  | -             | 250,000            | 25            |
| Other Issues for Cash                             | 8,409,091          | 841           | 22,661,290         | 2,266         |
| <b>At 31 December</b>                             | <b>130,027,511</b> | <b>13,003</b> | <b>120,743,420</b> | <b>12,074</b> |

During the year the following equity issues took place

| Date              | Comment              | Shares Issued | Issue price |
|-------------------|----------------------|---------------|-------------|
| 8 January 2018    | Exercise of Warrants | 875,000       | 10.0p       |
| 5 February 2018   | Equity placing       | 3,409,091     | 22.0p       |
| 14 September 2018 | Equity placing       | 5,000,000     | 10.0p       |

### 22. Share options

The Company adopted the 2007 Share Option Scheme on 3 April 2007 that provides for the granting of both Enterprise Management Incentives and unapproved share options (Westminster Group Individual Share Option Agreements). The main terms of the option scheme are as follows:

- Although no special conditions apply to the options granted in 2007, the model form agreement allows the Company to adopt special conditions to tailor an option for any particular employee.
- The scheme is open to all full-time employees and Directors except those who have a material interest in the Company.
- For the purposes of this definition, a material interest is either beneficial ownership of, or the ability to control directly, or indirectly, more than 30% of the ordinary share capital of the Company.
- The Board determines the exercise price of options before they are granted. It is provided in the scheme rules that options must be granted at the prevailing market price in the case of EMI options and must not be granted at an exercise price that is less than the nominal value of a share.
- There is a limit that options over unissued shares granted under the scheme and any discretionary share option scheme or other option agreement adopted or entered into by the Company must not exceed 10% of the issued share capital.
- Options can be exercised on the second anniversary of the date of grant and may be exercised up to the 10th anniversary of granting. Options will remain exercisable for a period of 40 days if the participant is a "good leaver".

The Company adopted the 2017 Share Option Scheme on 21 September 2017 that provides for the granting of both Enterprise Management Incentives and unapproved share options (Westminster Group Individual Share Option Agreements). The main terms of the option scheme are as follows:

- Although no special conditions apply to the options granted in 2017, the model form agreement allows the Company to adopt special conditions to tailor an option for any particular employee.
- The scheme is open to all full-time employees and Directors except those who have a material interest in the Company.
- For the purposes of this definition, a material interest is either beneficial ownership of, or the ability to control directly, or indirectly, more than 30% of the ordinary share capital of the Company.
- The Board determines the exercise price of options before they are granted. It is provided in the scheme rules that options must be granted at the prevailing market price in the case of EMI options and must not be granted at an exercise price that is less than the nominal value of a share.
- There is a limit that options over unissued shares granted under the scheme and any discretionary share option scheme or other option agreement adopted or entered into by the Company must not exceed 10% of the issued share capital.
- Options can be exercised on the second anniversary of the date of grant and may be exercised up to the 10th anniversary of granting. Options will remain exercisable for a period of 40 days if the participant is a "good leaver".

Options have subsequently been granted on this basis.

These options are valued by the use of the Black-Scholes model using a volatility of 70%, interest free rate of 0.5% and a life of 8 years (being the point at which they lapse).

The company has the following share options outstanding to its employees (including those on good leaver terms). The weighted average exercise price at the reporting date was 18.2p (2017: 30.5p). The average life of the unexpired share options was 8.4 years (2017: 6.6 years).

| Grant Date        | 31 December 2018 |                    |                                  | 31 December 2017   |                                  |
|-------------------|------------------|--------------------|----------------------------------|--------------------|----------------------------------|
|                   | Exercise Price   | Number Outstanding | Average Life Outstanding (Years) | Number Outstanding | Average Life Outstanding (Years) |
| 21 April 2008     | £0.525           | -                  | n/a                              | 15,000             | 0.3                              |
| 25 September 2009 | £0.345           | 56,000             | 0.7                              | 58,000             | 1.7                              |
| 28 June 2012      | £0.365           | 295,000            | 3.5                              | 295,000            | 4.5                              |
| 1 July 2014       | £0.510           | 245,000            | 5.5                              | 250,000            | 6.5                              |
| 10 December 2014  | £0.285           | 2,281,250          | 5.9                              | 3,000,000          | 6.9                              |
| 9 October 2015    | £0.140           | 40,000             | 6.8                              | 40,000             | 7.8                              |
| 1 June 2018       | £0.130           | 6,500,000          | 9.4                              | -                  | -                                |
| 1 November 2018   | £0.130           | 750,000            | 9.8                              | -                  | -                                |
|                   |                  | <b>10,167,250</b>  | <b>8.4</b>                       | <b>3,658,000</b>   | <b>6.6</b>                       |

During the year, 8,250,000 (2017: Nil) employee options were granted, none (2017: 55,000) were exercised and 1,740,750 (2017: 373,862) lapsed. The weighted average price of the options lapsed in the year was 19.9p (2017: 35.8p).

The weighted average exercise price of exercisable options at the end of 2018 was 18.2p (2017:30.5p).

The Black-Scholes option-pricing model is used to determine the fair value of share options at grant date. The assumptions used to determine the fair values of share options at grant dates were as follows:

For share options granted post IPO the expected share price volatility was determined taking account of the historic daily share price movements. Since 2009, the standard deviation of the share price over the year has been used to calculate volatility. As the Company was not quoted at the dates of granting of the share options before the IPO on 21 June 2007, the calculation of the expected volatility of the shares was estimated by comparisons of the historic volatility of a sample of securities of companies of a similar size to the Company, quoted on AIM, as well as the volatility of other listed companies in similar industries.

The average expected term to exercise used in the models is based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural conditions, forfeiture and historical experience. The risk-free rate has been determined from market yields for government gilts with outstanding terms equal to the average expected term to exercise for each relevant grant.

The amount recognised in profit or loss in respect of employee share-based payments was £281,000 (2017: £63,000).

### Warrants

The Company has historically issued the following warrants which are still in force at the balance sheet date:

The company had issued the following warrants to Darwin Securities Limited alongside issues of convertible loan notes these were subsequently sold to Yaron Bull:

- On 22 February 2016 (£0.475m CULN) 589,330 warrants with a life of 3 years (extended to 4 years) and an exercise price of 20.15p per share
- On 22 November 2016 (£1.2m CULN) 1.1m warrants with an exercise price of 28.0p and a life of 3 years

On 3 June 2017 the Company announced a placing of 10,000,000 Ordinary Shares to Hargreave Hale. For every two shares one detachable warrant was issued to Hargreave, each warrant having a life of three years and an exercise price of 12p per share. Darwin and Hargreave warrants are valued by the use of the Black-Scholes model, using volatility based on the previous three years varying between 50-70% and a relevant risk-free rate as noted above. Warrants are recorded at fair value at inception and are not remeasured.

23. Borrowings

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| <b>Non-current</b>                        |               |               |               |               |
| Convertible loan note (note 16)           | 2,216         | 2,184         | -             | -             |
| Convertible Unsecured Loan Note (Note 16) | 171           | -             | 171           | -             |
| <b>Total borrowings</b>                   | <b>2,387</b>  | <b>2,184</b>  | <b>171</b>    | <b>-</b>      |

24. Trade and other payables

| Current                                       | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2018<br>£'000 | 2017<br>£'000 | 2018<br>£'000 | 2017<br>£'000 |
| Trade payables                                | 1,484         | 257           | 54            | 90            |
| Accruals and other creditors                  | 898           | 783           | 112           | 141           |
| <b>Financial liabilities</b>                  | <b>2,382</b>  | <b>1,040</b>  | <b>166</b>    | <b>231</b>    |
| Other taxes and social security payable       | 129           | 56            | 15            | 34            |
| Deferred income                               | 2,438         | -             | -             | -             |
| <b>Non-financial liabilities</b>              | <b>2,567</b>  | <b>56</b>     | <b>15</b>     | <b>34</b>     |
| <b>Total current trade and other payables</b> | <b>4,949</b>  | <b>1,096</b>  | <b>181</b>    | <b>265</b>    |
| Shown on the balance sheet as:                |               |               |               |               |
| Deferred income                               | 2,438         | -             | -             | -             |
| Trade and other payables                      | 2,511         | 1,096         | 181           | 265           |
|   | <b>4,949</b>  | <b>1,096</b>  | <b>181</b>    | <b>265</b>    |

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs, as well as payments received in advance on contracts. The average credit period taken for trade purchases in 2018 was 27 days (2017: 24 days). The directors consider that the carrying value of trade payables approximates to their fair value.

Deferred income relates to amounts received from customers at year-end but not yet earned.

At 31 December 2018 £1,393,000 (2017: £155,000) of payables were denominated in US dollars,

## 25. Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to loss before taxation to arrive at operating cash flow:

| Group   | 2018<br>Continuing<br>Operations<br>£'000 | 2018<br>Discontinued<br>Operations<br>£'000 | 2018<br>Total<br>£'000 | 2017<br>Continuing<br>Operations<br>£'000 | 2017<br>Discontinued<br>Operations<br>£'000 | 2017<br>Total<br>£'000 |
|---|---|---|------------------------|---|---|------------------------|
| <b>Adjustments:</b>   |   |   |                        |   |   |                        |
| Depreciation, amortisation and impairment of non-financial assets | 150                                       | (170)                                       | (20)                   | 170                                       | 2,635                                       | 2,805                  |
| Effect of liabilities acquired                                    | (303)                                     | -   | (303)                  | -   | -   | -                      |
| Finance costs   | 329                                       | -   | 329                    | 630                                       | -   | 630                    |
| Loss on disposal of non-financial assets                          | 2   | -   | 2                      | 9   | -   | 9                      |
| Non-cash accounting for CLN                                       | 75  | -   | 75                     | -   | -   | -                      |
| Share-based payment expenses                                      | 237                                       | -   | 237                    | 88  | -   | 88                     |
| <b>Total adjustments</b>  | <b>490</b>                                | <b>(170)</b>                                | <b>320</b>             | <b>897</b>                                | <b>2,635</b>                                | <b>3,532</b>           |
| <b>Net changes in working capital:</b>                            |   |   |                        |   |   |                        |
| (Increase) / Decrease in inventories                              | (35)                                      | -   | (35)                   | 159                                       | -   | 159                    |
| (Increase) / Decrease in trade and other receivables              | (3,923)                                   | -   | (3,923)                | 162                                       | 39  | 201                    |
| Increase / (Decrease) in deferred income                          | 2,438                                     | -   | 2,438                  | (27)                                      | -   | (27)                   |
| Increase / (Decrease) in trade and other payables                 | 1,328                                     | -   | 1,328                  | 141                                       | 167   | 308                    |
| <b>Total changes in working capital</b>                           | <b>(192)</b>                              | <b>-</b>                                    | <b>(192)</b>           | <b>435</b>                                | <b>206</b>                                  | <b>641</b>             |
| <b>Company</b>  |   |   |                        |   |   |                        |
|   |   |   |                        | 2018<br>£'000                             |   | 2017<br>£'000          |
| <b>Adjustments:</b>   |   |   |                        |   |   |                        |
| Depreciation, amortisation and impairment of non-financial assets |   |   |                        | 67  |   | 5,611                  |
| Finance costs   |   |   |                        | 296                                       |   | 516                    |
| Non-Cash Accounting for CLN                                       |   |   |                        | (31)                                      |   | -                      |
| Share-based payment expenses                                      |   |   |                        | 237                                       |   | 88                     |
| Other non cash items  |   |   |                        | 135                                       |   | -                      |
| <b>Total adjustments</b>  |   |   |                        | <b>704</b>                                |   | <b>6,215</b>           |
| <b>Net changes in working capital:</b>                            |   |   |                        |   |   |                        |
| Decrease in trade and other receivables                           |   |   |                        | 15  |   | 66                     |
| Increase/(decrease) in trade and other payables                   |   |   |                        | 84  |   | 54                     |
| <b>Total changes in working capital</b>                           |   |   |                        | <b>99</b>                                 |   | <b>120</b>             |



### 26. Contingent assets and contingent liabilities

In 2017 the Company was party to a multilateral guarantee in respect of bank overdrafts of all companies within the Group. At 31 December 2018, these borrowings amounted to £nil. The Charge was satisfied on 25 October 2018 so this no longer exists.

### 27. Financial risk management

The Group is exposed to various risks in relation to financial assets and liabilities. The main types of risk are foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group's risk management is closely controlled by the Board and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not actively trade in financial assets for speculative purposes nor does it write options. The most significant financial risks are currency risk and interest rate risk.

#### Foreign currency sensitivity

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US dollar. The Group's policy is to match the currency of the order with the principal currency of the supply of the equipment. Where it is not possible to match those foreign currencies, the Group might consider hedging exchange risk through a variety of hedging instruments such as forward rate agreements, although no such transactions have ever been entered into.

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows. Euro assets and liabilities are not material.

| Group                   | Short-term exposure USD<br>£'000 |
|-------------------------|----------------------------------|
| <b>31 December 2018</b> |                                  |
| Financial assets        | 3,708                            |
| Financial liabilities   | (1,393)                          |
| <b>Total exposure</b>   | <b>2,315</b>                     |
| <b>31 December 2017</b> |                                  |
| Financial assets        | 510                              |
| Financial liabilities   | (155)                            |
| <b>Total exposure</b>   | <b>355</b>                       |

If the US dollar were to depreciate by 10% relative to its year end rate, this would cause a loss of profits in 2018 of £376,000 (2017: £194,000). Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk. Foreign currency denominated financial assets and liabilities are immaterial for the Company.

#### Interest rate sensitivity

The main borrowings of the Group are the convertible loans and are detailed in note 16. All have fixed interest rates. Interest on the cash holdings of the Group and "other" loans noted in note 23 is not material and therefore no calculation of interest rate sensitivity have been undertaken.

#### Credit risk analysis

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and where possible working on a "cash with order".

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. In the case of material sales transactions, the Group usually demands an initial deposit from customers and generally seeks to ensure that the balance of funds is secured by way of a letter of credit or similar instruments.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Details of allowance for credit losses are shown in note 19 of these financial statements

### Liquidity risk analysis

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages its liquidity needs by monitoring scheduled debt repayments for long term financial liabilities as well as forecast cash flows due in day to day business. Net cash requirements are compared to borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the outlook period.

As at 31 December 2018, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

|                          | Current (within 6 months) | 6 to 12 months | Non Current (1-5 years) |
|--------------------------|---------------------------|----------------|-------------------------|
| <b>Group</b>             |                           |                |                         |
| As at 31 December 2018   |                           |                |                         |
| Convertible loans        | -                         | 2,380          | 171                     |
| Trade and other payables | 2,511                     | -              | -                       |
| <b>Total</b>             | <b>2,511</b>              | <b>2,380</b>   | <b>171</b>              |
| <b>Company</b>           |                           |                |                         |
| As at 31 December 2018   |                           |                |                         |
| Convertible loans        | -                         | -              | 171                     |
| Trade and other payables | 181                       | -              | -                       |
| <b>Total</b>             | <b>181</b>                | <b>-</b>       | <b>171</b>              |
| <b>Group</b>             |                           |                |                         |
| As at 31 December 2017   |                           |                |                         |
| Convertible loans        | 2,184                     | -              | -                       |
| Trade and other payables | 1,096                     | -              | -                       |
| <b>Total</b>             | <b>3,280</b>              | <b>-</b>       | <b>-</b>                |
| <b>Company</b>           |                           |                |                         |
| As at 31 December 2017   |                           |                |                         |
| Trade and other payables | 265                       | -              | -                       |
| <b>Total</b>             | <b>265</b>                | <b>-</b>       | <b>-</b>                |

### 28. Discontinued operations

At 30 September 2017 the Group took the decision to dispose of its ferry operation in Sierra Leone, from this date the operation together with the related finance obligations was being actively marketed for sale, and therefore has been reclassified as a disposal group held for sale within the financial statements.

A discontinued operation is a component of the Group's activities that is distinguishable by reference to geographical area or line of business that is held for sale, has been disposed of or discontinued, or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as discontinued, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Profit / (Loss) for the year from discontinued operations:

|   | 2018<br>£'000 | 2017<br>£'000  |
|---|---------------|----------------|
| Revenue   | -             | 66             |
| Cost of sales   | -             | (182)          |
| Gross Profit  | -             | (116)          |
| Administration expenses   | 149           | (3,553)        |
| <b>Operating profit / (loss) from discontinued activities before taxation</b> | <b>149</b>    | <b>(3,669)</b> |
| Income tax expense  | -             | -              |
| <b>Profit / (loss) from discontinued ordinary activities after taxation</b>   | <b>149</b>    | <b>(3,669)</b> |
| <b>Earnings per share relating to the discontinued operations</b>             | <b>0.11p</b>  | <b>(3.36p)</b> |
| Cash flows relating to the discontinued operation are as follows:             |               |                |
| Operating cash flows  | 149           | (828)          |
| Investing cash flows  | -             | (4)            |

### 29. Disposal groups held for sale

At 30 September 2017 the Group took the decision to dispose of its ferry operation in Sierra Leone, from this date the operation together with the related finance obligations was being actively marketed for sale, and therefore has been reclassified as a disposal group held for sale within the financial statements. On this date the Group impaired the assets of the disposal group to nil. Details of the assets and liabilities held for sale are as follows:

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Assets held for sale:</b>   |               |               |
| Tangible fixed assets at cost  | 2,820         | 2,820         |
| Accumulated depreciation   | (2,650)       | (354)         |
| Intangible assets at cost  | 32            | 32            |
| Accumulated amortisation   | (32)          | (7)           |
| Impairment charge  | -             | (2,491)       |
| <b>Assets held for sale</b>  | <b>170</b>    | <b>-</b>      |
| <b>Related liabilities:</b>  |               |               |
| Accruals   | (148)         | (222)         |
| Trade payables   | (3)           | (16)          |
| <b>Liabilities directly associated with assets classified as held for sale</b> | <b>(151)</b>  | <b>(238)</b>  |

The accounting estimates made at the end of 2017 proved to be too prudent, as the ferry has had offers in 2018 with net proceeds likely to be around £170,000 with the asset valued accordingly.

### 30. Acquisition of subsidiary

At 7 November 2018 the Group acquired 100 per cent of the issued share capital of Keyguard U.K Limited (Keyguard) obtaining control of Keyguard. Keyguard is a UK based security and risk management company providing security services to organisations and critical national infrastructure across the country. It is focused on infrastructure growth - Construction, Renewable Energy and Transport sectors. Services include manned guarding, mobile patrols, risk management and K9 services.

Keyguard operates in a strong and growing market and is completely allied to and enhances Westminster's existing market, opening new opportunities and broadening the scope of the Group's business portfolio. The acquisition is expected to be synergistic in that not only will this transaction allow the Group and Keyguard to be able to sell into each other's market; but will enable a broader range of joint offerings where technology and manned guarding are both required, particularly within the aviation and critical infrastructure market.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed

|  | £'000      |
|--|------------|
| Financial assets                                 | 337        |
| Property, plant and equipment                    | 8          |
| Identifiable tangible assets                     | 345        |
| Financial liabilities                            | (495)      |
| Contingent liability                             | (31)       |
| Total identifiable assets                        | (181)      |
| Goodwill   | 199        |
| <b>Total consideration</b>                       | <b>18</b>  |
| Satisfied by:                                    |            |
| Cash   | 18         |
| <b>Total consideration</b>                       | <b>18</b>  |
| Net cash inflow arising on acquisition           |            |
| Cash consideration                               | (18)       |
| Less: cash and cash equivalent balances acquired | 122        |
| <b>Cash inflow on acquisition</b>                | <b>104</b> |

The fair value of the financial assets includes receivables - Trade Debtors with a fair value of £214,000 and a gross contractual value of £220,000. The best estimate at acquisition date of the contractual cash flows not to be collected are £6,000.

A contingent liability of £31,000 has been recognised in respect of potential corporation tax. The majority of this expenditure will be incurred in 2019 and that all will be incurred by the end of 2020.

The goodwill of £199,000 arising from the acquisition is shown above and includes taking over the trading and trade name of Keyguard. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition-related costs (including administrative expenses) amounted to £11,000.

Keyguard contributed £132,000 revenue and £ Nil to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Keyguard had been completed on the first day of the financial year, group revenues for the year would have been £7,821,000 and the group loss would have been (£993,000).

### 31. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of the directors, who are the key management personnel of the Group is set out in the Remuneration Committee report on pages 25 to 28 as details of pension contributions for directors.

In the year to 31 December 2018, Mr James Sutcliff received consultancy fees and expenses through his service company JSS Consultants Limited. A total of £23,119 (2017: £41,517) was paid to this company.

In the year to 31 December 2018, prior to his being appointed as a director, Mr Mark L W Hughes received consultancy fees and expenses through his service company MLWH Limited. A total of £17,901 (2017: £ Nil) was paid to this company

### 32. Events after the reporting period

On 8 February 2019, the Company raised £0.5m (gross) through a placing of 5,000,000 new Ordinary Shares of 10p each at 10 pence per Ordinary Share. The placing was undertaken by SVS Securities Plc who became joint broker to the Group.

On 24 April 2019, the Company announced that its Technology Division has been awarded a \$ 3.4m USD contract for the provision of advanced container screening solutions to two separate ports in an Asian country which is expected to be delivered this year.

On 1 May 2019, the Company announced the acquisition of the entire issued share capital of French aviation security and support services company Euro Ops SRL ('Euro Ops') along with the business and assets of Euro Ops International SRL ('Euro Ops Int.') for EUR€ 20,000.

On 21 May 2019, the Convertible Loan Notes were extended to 30 June 2020. Under the terms of the CLN extension the conversion price on any unredeemed or unconverted CLN will be 15p per share until 30 September 2019, 12.5p per share from 1 October 2019 until 31 December 2019 and thereafter 10p per share from 1 January 2020 until the new maturity date of 30 June 2020. The coupon payable any unredeemed or unconverted CLN amount will be 15% pa from 1 April 2019 until 30 June 2020. The Company may redeem the whole or any part of the CLN holding at any time without restriction or penalty.

Whilst the Company plans to repay the CLN at the earliest opportunity, the extension until 30 June 2020 gives the Company the flexibility for a strategic and planned paydown of the CLN, at a time of its choosing, to avoid adversely affecting the Group's share price and business activities.

## Company Information

### Directors

#### Executive

Sir Tony Baldry (Chairman)  
Peter Fowler  
Mark Hughes  
Stuart Fowler

#### Non-Executives

Lt Col Sir Malcolm Ross  
Lady Patricia Lewis  
Charles Cattaneo

### Secretary

Roger Worrall

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